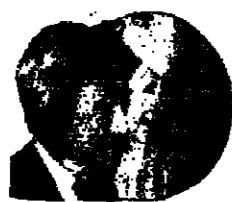


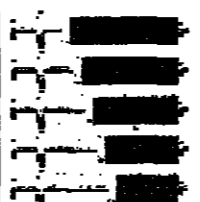
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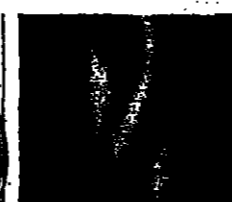
FRIDAY MAY 1 1998



FT Weekend tomorrow
The Emperor, the Queen,
and the need to modernise
an imperial family



Eastern Europe
EU anxious over
increasing drug use
Page 3



Italy
Judicial reform deadlock
worries euro partners
Page 2

Capital Markets
Asian turmoil fails to
dent global buoyancy
Survey

WORLD NEWS

Employers and unions set deadline to end Denmark's national strike

Attempts to break the deadlock in Denmark's national strike gathered pace after union leaders and employers set an informal deadline for trying to resolve the five-day-old dispute. Page 2

Kiriyenko appoints technocrats
Sergei Kiriyenko, Russia's prime minister, appointed another 11 ministers to his slimmed-down government, giving it a more youthful and technocratic look. Page 2

US anti-gun group targets S&W
Silent March, the US anti-gun organisation, will today lay 3,265 pairs of children's shoes outside the headquarters of Smith & Wesson, the gun manufacturer, to represent the number of children killed in shootings in the US between 1988 and 1995. Page 14

UK government warns Sinn Féin
The UK government warned that Sinn Féin could not "pick and choose" from the Northern Ireland peace accord, after the IRA, its military wing, announced it would not decommission its arms. Page 8

German far-right set to march
The far-right German NPD party was granted permission to hold a rally in Leipzig after city leaders tried to ban the march because they feared clashes with anti-Nazi protesters. Page 15

Japanese must lose holiday choice
Japanese workers must take holidays when it suits their employers, a Tokyo court has ruled. The court backed an employer who fired a member of staff for taking a month-long holiday. Page 5

US pursues China over 'rule of law'
Madeleine Albright, US secretary of state, indicated that China's pursuit of the 'rule of law' is to become a key issue in its bilateral relations with the US and at a presidential summit in June. Page 5; Editorial Comment, Page 13

Turkey attacks Kurdish separatists
Turkish military officials said thousands of troops were engaged in one of the country's biggest offensives against Kurdish separatists in the mountains of the south-east. Page 13

UK in child labour initiative
British businesses are being encouraged not to exploit child labour - through a joint initiative involving Unilever, the United Nations Children's Fund, the UK government and the Confederation of British Industry. Page 4

US suit filed over sanctions
A US industry group filed a suit challenging the right of states and localities to impose economic sanctions for foreign policy purposes. Page 4

Fears dismissed on tobacco deal
Proposed restrictions on the tobacco market being considered by the Senate would not lead to a substantial black market in cigarettes provided a suitable regulatory system was put in place, said Lawrence Summers, deputy US Treasury secretary. Page 6

HOW TO SPEND IT
COLOUR MAGAZINE
The rebirth of the Chinese courtyard. Around the world for £40 a day. with tomorrow's Weekend FT

BUSINESS NEWS

Mobile telephone groups agree to develop systems to a shared standard

European and Japanese mobile phone groups have struck a deal that will hasten the day when subscribers can use their handsets anywhere in the world. They are to co-operate on developing mobile systems based on a common standard. Page 14

Anatoliy Chubais, Russia's former first deputy premier, is to head huge electricity generator Unified Energy Systems. Page 2

McDonald's chief executive Michael Quinlan is to head leadership of the world's biggest fast-food chain to Jack Greenberg, head of the company's US operations. Page 15

EMI shares leapt 99 1/2 to 607 1/2 after the big UK music group confirmed an approach from a prospective bidder, believed to be Canada's Seagram. Page 15

PacificCorp quit the takeover battle for UK energy supplier Energy Group, leaving the field to Texas Utilities, its US rival. Page 15; Comment, Page 20

United Airlines and Delta Air Lines are to form an alliance if their pilots' unions approve. Page 15; Background, Page 18

British Petroleum is set to enter Venezuela's vehicle fuel market after receiving government permission this week. Page 18

MCI Communications of the US said demand for data and Internet services generated half its first-quarter sales growth. Page 18

Hapag-Lloyd, German shipping and tourism group, aims to boost container business volumes by 27 per cent this year. Page 19

Japanese corporate yen bond issues reached a record ¥8,800bn worth (\$67bn) in the 1997 tax year, a 56 per cent increase on 1996. Page 15

Investec, South African financial services group, launched a £428m (\$715m) agreed bid for Hambros, the once illustrious UK bank. Page 20; Observer, Page 13

KDD, Japan's biggest international telecoms operator, is postponing its planned merger with domestic long-distance operator Teletway to iron out differences. Page 16

South Korea's restructuring will continue although the financial situation has improved. The won has strengthened and this week reserves topped \$30bn. Page 5

ARS-CBN, the Philippines' biggest media group, lifted first-quarter profits by 25 per cent year-on-year to 308.5m pesos (\$7.7m) on 36 per cent stronger revenues. Page 16

Japanese companies' losses on securities are set to hit a five-year high in the coming results season. Page 16

World Equity Markets
The latest trends and data from more than 50 national markets at a glance. Page 33

Blair to mediate in ECB dispute

UK PM seeks to break deadlock between France and other EU countries over bank's presidency

By our international and political staff

Tony Blair, the UK prime minister, will arrive in The Netherlands today and make a final attempt to resolve a dispute over the presidency of the future European Central Bank before a special summit of the European Union this weekend.

The EU summit to choose the members of the single currency and appoint the president of the bank begins in Brussels later today. Mr Blair, who holds the rotating presidency of the EU, will try to arrange a deal with Wim Kok, the Dutch prime minister.

One compromise being dis-

cussed is a gentleman's agreement under which Mr Wim Duisenberg, the Dutch candidate, might agree to step down after serving part of the full eight-year term, enabling Jean Claude Trichet, the governor of the Bank of France, to take over.

A second option, understood to include provisions for an age limit for ECB executives that would in effect reduce the term of the 63-year-old Mr Duisenberg.

According to a UK government member, the main opposition to these compromises is coming from the French president, Jacques Chirac, who wants Mr Trichet's succession to be made more explicit.

[Lionel Jospin (the French

premier) and the rest of the government are on board," he said.

In Paris yesterday, French officials insisted the problems were soluble and that the real obstacle was not the deal itself but the fact that the Dutch did not want a compromise to be so clearly visible in the final days before a general election on May 6.

"There is no reason why an intelligent agreement cannot be reached in Brussels at the EU summit this weekend," an official familiar with the negotiations said.

French officials said it would not be too dramatic if they failed to reach an agreement on the ECB presidency at the weekend summit launching the euro. But

they said France would do everything to ensure a satisfactory deal was achieved.

The compromise formulas are bound to dismay central bankers and cause concern in financial markets over the credibility and independence of the ECB.

The Bundesbank yesterday warned EU leaders against a decision which would breach the Maastricht Treaty and damage the credibility of the euro.

According to the treaty, the ECB president must serve a full non-renewable term.

Hans Tietmeyer, president of the Bundesbank, said: "The Bundesbank expects that decisions will be reached which are in line with the treaty and

strengthen confidence in the stability policy of the European Central Bank."

Meanwhile, Helmut Kohl, the German chancellor, is understood to have spoken to Mr Chirac on the issue.

Additional obstacles to a deal emerged yesterday. The European Commission has concluded that members of the ECB's board cannot be promoted to the ECB's presidency.

It would therefore be impossible for Mr Trichet to succeed to the presidency of the ECB after first serving on the board, an outline compromise which has been mooted in recent days.

Editorial comment, Page 13

US markets surge as GDP rises and inflation stays low

By Gerard Baker in Washington

US economic growth accelerated in the first three months of the year while inflation all but disappeared, dispelling fears that the Federal Reserve might raise interest rates soon.

In the strongest evidence yet that the US economy is enjoying an extended period of inflation-free growth, the Commerce Department said gross domestic product surged at a seasonally adjusted annual rate of 4.2 per cent in the first quarter - the sixth straight quarterly increase of more than 3 per cent.

But prices rose at an annual rate of just 0.8 per cent, the lowest increase in 34 years. Domestic prices were unchanged - the first time inflation has been absent

from the figures since 1954.

Financial markets leapt following the news. At 1pm the Dow Jones Industrial Average was up 165 points at 5,116, reversing Monday's big loss, which followed reports that the Fed might be about to raise interest rates.

The benchmark 30-year Treasury bond rose by 1 1/2, pushing the yield down to 5.96 per cent from Wednesday's 6.07 per cent.

Investors were also encouraged by another closely watched economic report suggesting that labour costs, a good indicator of future price increases, decelerated in the first quarter. The Employment Cost Index, which measures the movement of salaries and employee benefits, rose by 0.7 per cent in the three months to March, down from 1

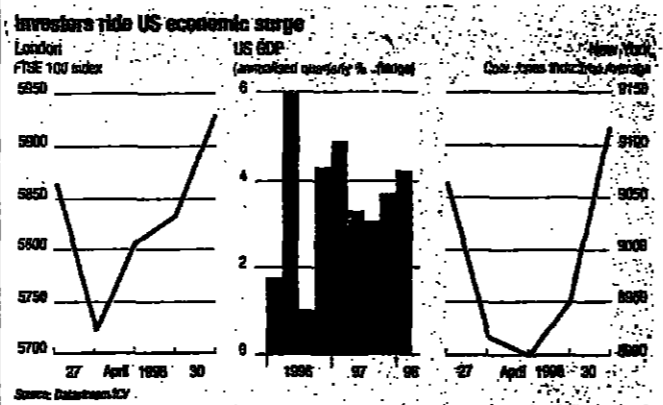
per cent in the last reported quarter, the Labour Department said.

"There is no clearer call in these data for the Fed to tighten monetary policy. Current inflation, and advance indicators of inflation and labour costs, are not at a level where immediate Fed action is likely," said Richard Berner, chief economist at Mellon Bank in Pittsburgh.

US newspapers reported this week that the Fed had shifted towards a policy bias in favour of raising rates, as economic growth continued unabated in spite of the expected dampening effects of the Asian financial crisis.

But yesterday's figures demonstrated that behind the growth in GDP there was a divergence between domestic and external demand. Consumer spending surged at an annual rate of 5.7 per cent and residential construction jumped by 17.6 per cent. Investment in capital equipment rose 29 per cent, as companies poured money into information technology related equipment.

But exporters and companies facing competition from imports suffered as the Asian crisis and the strong dollar hit domestic output. Exports fell by an estimated 3.4 per cent, the biggest drop for nearly five years, while imports rose by 11.6 per cent.



BAe agrees £269m for stake in Saab

By Alexander Nicoll in London and Tim Bart in Stockholm

The consolidation of Europe's defence manufacturers gathered pace yesterday as British Aerospace agreed to pay £269m (\$449m) for a 35 per cent stake in Saab, the Swedish military aircraft maker.

The investment is the latest in a flurry of deals in which British defence companies have extended links with partners in Europe. It follows separate plans by GKN and General Electric Company to ally with divisions of Finmeccanica of Italy.

The transaction is likely to increase pressure on Aerospatiale of France and Daimler-Benz Aerospace of Germany. They are locked in negotiations with BAE and with governments on how to form a single European aircraft manufacturer that can compete with large US rivals.

BAe is also in discussions on forming alliances with Alenia, part of Finmeccanica, and with Casa of Spain, although no agreements are thought to be imminent. It is stepping up links with Dassault of France on research into technology for the next generation of combat aircraft.

Its agreement with Saab increases the importance of the Gripen, a fighter made by Saab, as part of a developing family of European combat aircraft. It is larger than BAE's Hawk but smaller than the Eurofighter, in

which BAE is a partner. BAE and Saab have a joint venture to market the Gripen outside Sweden, but it has so far made no sales. City analysts said the companies will hope to apply BAE's lean manufacturing and purchasing techniques to make the Gripen cheaper and more marketable.

Saab had an order book of SKr27bn (\$3.5bn) at the end of 1997. It made 1997 profit of SKr570m, excluding a SKr5.4bn provision for regional aircraft activities, on sales of SKr6.67bn.

It has been through an extensive restructuring including the separation of automobiles from aerospace interests and a decision last year to cease making regional aircraft.

BAe's investment is part of a broader reorganisation of Saab's shareholding structure which will see a rights issue to shareholders in its own investor, the main investment vehicle of Sweden's Wallenberg business empire.

The Swedish owner said BAE's stake would underpin a SKr10bn valuation for Saab when it is floated on the stock market later this year.

Claes Dahlbäck, Investor's chief executive, said the group would remain the "leading owner" by retaining 36 per cent of the voting rights and 30 per cent of the equity. BAE will have 35 per cent of the voting rights.

Europe 'must not bar US', Page 8



Right-wing Israeli dance and wave flags on disputed land at Her House, east Jerusalem, where thousands had gathered for celebrations marking the 50th anniversary of Israeli independence yesterday. Report, Page 6. Picture: AP

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WORLD MARKETS

STOCK MARKET INDICES		GOLD	
New York Composite	9,123.65	New York: Comex	3307.9 (211.6)
Dow Jones Ind. Av.	1,871.63	Gold	330.80 (202.75)
NASDAQ Composite	1,871.63		
Europe and Far East		EXCHANGE RATES	
CAC40	2,280.32	£/US\$	1.5717
DAX	2,107.44	DM/US\$	1.7822
FTSE 100	5,829.3	FF/US\$	6.0180
Nikkei	15,647.28	Sfr/US\$	1.5015
US LEASING RATES		Y/US\$	132.73
3-mth Prime Rate	5.5%	£/DM	1.6720
3-mth Prime Rate: Ytd	5.00%	FF/DM	1.7345
Long Term	10%	FF/DM	6.0178
Yield	5.97%	Sfr/DM	1.4867
OTHER RATES		DM/DM	131.84
UK 3-mth Bank	7.75%	DM/DM	131.86
UK 10-yr Govt	110.32%	DM/DM	131.86
France 10-yr Govt	103.61	DM/DM	131.86
Germany 10-yr Govt	107.26	DM/DM	131.86
Japan 10-yr Govt	110.32	DM/DM	131.86
US 10-yr Govt	110.32	DM/DM	131.86
US 30-yr Govt	110.32	DM/DM	131.86
US 10-yr T-bill	513.85	DM/DM	131.86

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5.50 من الأمل

Chubais named to head electricity giant

By John Thornhill in Moscow

Anatoly Chubais, Russia's former first deputy prime minister, has been appointed chief executive of Unified Energy Systems in a move which has delighted foreign investors in the giant electricity generator but dismayed his domestic rivals.

As chairman of UES's management board, Mr Chubais will assume prime responsibility for what one

analyst has called - "the biggest corporate restructuring in the world". The company's shares rose 4.5 per cent on the news.

UES, which runs 27 of Russia's 34 largest power plants and is still 53 per cent state owned, is one of the country's most valuable companies but has been plagued by financial problems caused by non-payment of bills. Payment arrears to all Russia's electricity groups were at

the beginning of the year.

Mr Chubais, who has been Russia's most high-profile reformer over the past six years, said the whole economy would benefit from a successful restructuring of UES. "The electricity sector is very complex but much of the rest of the economy depends upon it," he said.

Sergei Kiriyenko, the recently-installed prime minister, left Mr Chubais in no doubt about the urgency of

getting to grips with UES. "If

Chubais manages this task then he will work for longer. If not, then he will be sacked from this post in the autumn," Mr Kiriyenko said. Mr Chubais, who was tainted by a corruption scandal last year and dismissed from government last month, said unnamed political forces had fought hard to scupper his appointment and were itching for him to fail.

Some of Russia's rival

power brokers seemingly

fear Mr Chubais could turn UES into a political machine for the next presidential elections. But foreign investors, who are believed to own about 30 per cent of UES's equity, welcomed Mr Chubais's appointment. "This is brilliant news," said Derek Weaving, Russian utilities analyst at Deutsche Bank. "There are plenty of people at UES who know how to produce electricity

but almost nobody who

understands economics. We now have a chief executive who knows all about business and investors." Boris Nemtsov, the reformist deputy prime minister with oversight of energy issues, said Mr Chubais's immediate challenges would be to develop a single energy system in Russia, to lower tariffs for industrial users, and to increase the company's financial transparency.

Russian PM presents slimline government

By John Thornhill

Sergei Kiriyenko, Russia's prime minister, yesterday appointed another 11 ministers to his slimmed-down government, giving it a more youthful and technocratic look.

The most important

appointment was that of

Oleg Sytyuev, the former mayor of Samara, who becomes the third deputy prime minister with responsibility for social affairs.

Mr Sytyuev had occupied

the same post before the latest government reshuffle but assumes greater prominence

following the elimination of

several other senior ministerial posts. In an attempt to give the government sharper focus, the number of deputy prime ministers has been cut from nine to three.

Mr Kiriyenko has also

eliminated the ministry of

foreign economic relations

and the ministry for co-operation with the other members of the Commonwealth of Independent States. The final shape of the government should become clear within 10 days.

Mr Kiriyenko has been

keen to tempt more MPs into

the government and appointed Oksana Dmitriyeva, a member of the parliamentary budget committee, as labour minister. But the decision to join the government was immediately condemned as a mistake by her colleagues in the

liberal Yabloko faction.

Another surprise appointment was that of Sergei Generalov as energy minister. Mr Generalov, the 34-year-old deputy chief executive of the Moscow banking group, takes over the ministerial seat vacated by Mr Kiriyenko.

Russia set to sign Caspian deal

By Anthony Robinson

Russia and Kazakhstan are expected to sign in July a bilateral agreement on dividing up the oil and gas rich Caspian sea.

Anvar Saidenov, the recently appointed head of the Kazakhstan state investment committee, said there were "no major problems" with the deal, which was originally due to be signed on April 23.

The deal is set to be signed at a meeting between President Boris Yeltsin and Nursultan Nazarbayev, his Kazakh counterpart, in Almaty, Kazakhstan's capital.

Speaking at a Kazakh oil and gas conference in London, Mr Saidenov said that the Russians had said they were still experiencing "internal procedural problems" which meant they could not sign the deal straight away.

Russia, together with Iran, has been reluctant to concede the principle of division of the sea-bed.

Russia wants as much Caspian oil and gas as possible to flow through Russian pipelines and ports and fears that agreement on the Caspian sea regime will give the green light to rival pipeline routes.

The proposed agreement follows Russia's acceptance of a compromise formula under which the Caspian sea-bed will be divided up among all five littoral states.

International oil companies and investors are seeking the maximum diversity of pipeline routes and the Kazakh government is currently evaluating six potential routes.

Azerbaijan and Kazakhstan are already pushing forward with oil and gas projects in their claimed segments and Turkmenistan agreed to a sectoral share agreement last year.

Amoco, the US oil company, is pushing hard for a \$400m-\$500m project to ship up to 25m tons of crude annually across the Caspian in special oil barges.

"Using locally built barges and existing infrastructure would be cheaper, more economic and more flexible than a pipeline," said Thomas Egelston, vice-president of Amoco Kazakhstan.

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EU SUMMIT AGENDA DOMINATED BY QUESTION OF EUROPEAN CENTRAL BANK APPOINTMENT

Pressure rises on leaders to name president

By Wolfgang Münchau in Brussels

The only difficult question facing European Union leaders at this weekend's summit in Brussels is the choice of president of the future European Central Bank.

The rival candidatures of Wim Duisenberg, the Dutch president of the European Monetary Institute, and Jean Claude Trichet, governor of the Bank of France, have divided France, which supports its own national candidate, and Germany, which supports Mr Duisenberg.

Financial markets have made up their mind. The consensus among financial strategists in Europe's financial centres favours Mr Duisenberg as first choice, followed by any other EU central banker as second best. The least desirable option would be to split the difference, under which Mr Duisenberg and Mr Trichet divide the eight-year term.

Under a proposed formula Mr Trichet would join the ECB's six-member executive board. Should Mr Duisenberg decide to retire early,

Mr Trichet would then emerge as the natural successor.

But there are some new twists. After yesterday's official Bundesbank statement there is now intense public pressure on the German government not to accept an agreement to cap the eight-year presidential term.

In a separate development the European Commission's legal service now believes it to be incompatible with European law for an existing member of the executive board to be promoted to another position on the same board. The Maastricht Treaty says members are appointed for a non-renewable term of eight years.

Commission lawyers argue that the Treaty explicitly distinguishes between existing and new members, so that replacements should be drawn from a pool of new candidates. But there are other interpretations. The Council of Ministers has received different advice from its legal service.

Alison Cottrell, London-based international economist at PaineWebber, the US broker, said: "The worst that

The euro: the final countdown

May 1 1998

From 1930 France

ministers will decide which

country will be the first to

adopt the single currency. If the

council follows the recommendations of the

Commission, Greece will be the only

country with an excessive deficit as a

percentage of gross domestic product. Ministers will also

agree the text of a declaration on budget stability,

employment and structural reform.

May 2 1998

08:00 UK Chancellor Gordon Brown will present

the finance ministers' recommendations on

which countries should join the euro to the

European Parliament's committee for economic

and monetary affairs and industrial policy.

10:00 Plenary debate to allow the European

Parliament to finalise and vote on its opinion on

the proposed list of countries.

15:00 Separate lunches for heads of state or

government, finance and foreign ministers.

15:00 Formal session of heads of state or

government (with finance ministers and foreign

ministers) decides the list of countries which

meet the conditions to adopt the single currency.

May 3 1998

17:00 Press conference by heads of state.

18:00 The Council of Finance Ministers will

announce bilateral policies between the countries

of participating countries for entry into force on

January 1 1999. The committee will also have

the backing of the Commission, the ERM and

Central Bank Governors who are expected to

attend the meeting. The finance ministers will

also designate candidates as President, Vice

President and other members of the ECB

Executive Board. Their formal appointment is

expected mid-May after consultation with the

European Parliament. Finance ministers will also

adopt conclusions on the practical aspects for the

transition to the euro. If necessary, the meeting

may continue in the morning of May 3.

Sources: European Commission

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President and other members of the ECB

Sanctions fail to impress Serbs or Albanians

By Guy Dinmore in Pristina and John Thornhill in Moscow

Serbia yesterday condemned the tightening of economic sanctions on Belgrade by the US and its European allies, while the conflict in the southern province of Kosovo between security forces and ethnic Albanian rebels claimed three more victims.

Diplomats said the low-level war in the mainly Albanian populated province was spinning out of control. Western hopes of containing

the conflict rest on attempts to bring Slobodan Milosevic, the federal Yugoslav president, to the negotiating table by threatening to block new foreign investments after a May 9 deadline.

Serbian officials said one policeman was killed by an anti-tank rocket fired by separatist rebels of the Kosovo Liberation Army (KLA) that hit a police station in south-west Kosovo near the border with Albania.

Police also said the bodies of two Serb civilians

abducted by ethnic Albanian gunmen last week had been found by a road but the area was too dangerous to retrieve them.

More than 120 people, mostly ethnic Albanians, have been killed in the past two months.

The Serbian Socialist party newspaper Politika denounced western governments as arrogant and perfidious and said the new sanctions would only encourage Albanian extremists fighting for secession.

Nationalist political leaders of the ethnic Albanian majority said the new sanctions agreed on Wednesday night at a meeting of the six-nation Contact Group lacked teeth and that the international community had to act with greater force.

Serbian officials, speaking privately, said the government was relieved at the balanced tone of the Contact Group statement, which also condemned "terrorism", and on the limited impact of the decision by the western

states - the US, Britain, France Germany and Italy - to freeze Yugoslav and Serbian government funds held abroad.

Russia, which is believed to be owed over \$200m by Serbia for vital supplies of gas, refused to go along with the new measure.

Contact Group diplomats said Russia was still part of the political process. They admitted that the sanctions agreed by the other five Contact Group members so far would have only a limited

impact with or without Russia's backing.

President Boris Yeltsin yesterday repeated Russia's objections to the imposition of sanctions against Yugoslavia in a telephone conversation with Romano Prodi, the Italian prime minister.

Mr Yeltsin said that continued dialogue between the Yugoslav government and representatives of the ethnic Albanians in the Kosovo region provided the only possible solution to the crisis.



Kosovo Serbs cheer Milosevic in Pristina yesterday

Call to close Olympic Airways

By Koris Hope in Athens

Greece's foreign minister, Theodoros Pangalos, said yesterday that the state carrier Olympic Airways should be shut down immediately as part of the Socialist government's programme of public sector reforms.

In an interview with the newspaper Eleftherotipia, Mr Pangalos claimed the airline's employees had "dealt a fatal blow" to its chances of recovery by opposing a restructuring plan. "The government holds the main responsibility for what's happening. But the workers are also guilty," he said. "The planes are empty, and every day that passes adds new debt because no reasonable person would fly with Olympic."

As transport minister in 1994, Mr Pangalos negotiated a restructuring package for the airline with the European Commission. At that time the government agreed to stop subsidising Olympic in return for the write-off of more than Dr300bn (\$1.6bn) in accumulated debt.

Zdenek Bakala, head of Patria Finance investment bank and a member of the chamber, said: "The securities commission and the stock exchange should complement each other but it will take time for an efficient working relationship to develop."

Mr Muller, a former custody manager at Commerzbank and a long time critic of the capital markets, surprised observers earlier this year by accepting the chairmanship of the commission after criticising it as underfunded and lacking sufficient independence from the finance ministry.

The biggest problem of the Bourse is low liquidity. About 95 per cent of share trades are simply registered at the government's Central Securities register, meaning that stock exchange prices often do not accurately reflect real transaction prices.

EU applicant states pressed to close the door on drugs

East Europe's drug problems have become another barrier to their acceptance by Brussels, writes Christopher Bobinski

The Polish government has good reason to curse the two gunmen who walked into a prostitution agency in Gdynia last week and shot and killed Nikodem Skotarczak, a gangster who had recently tried to take over the local drugs trade.

The repercussions were felt hours later at the College of Europe's neo-classical Naticin campus in Warsaw, the venue for a conference on illicit drug use in the 10 eastern applicant countries to the European Union. A Polish policeman said: "This [the murder] means that crime could go up, as a more ambitious and relentless bandit has decided to take over and expand Skotarczak's operations."

His words will have played on the fears of the many EU members which think the applicant countries are not paying enough attention to organised crime.

Ann Vanhout, a representative of the European Commission, repeated a familiar mantra at the conference. She urged applicants to tighten drug legislation, build institutions capable of implementing laws, and

enhance border controls.

All the countries in the region have experienced a growth in illicit drug use in the last decade. Slovenia, which is on a fast track to join the EU, reports that "the supply of drugs is enormous and constantly increasing, with the price of heroin falling by half over the last decade".

Hungary saw an increase in drug-trafficking when the war in Yugoslavia at the beginning of the 1990s diverted the main Balkan route which brings drugs from Afghanistan into western Europe via Turkey. Turks and Albanians from Kosovo now appear to control the domestic drug trade in Hungary.

Prices of many drugs have fallen in Hungary, suggesting that the supply is growing. Between 1995 and 1997 the price of a gram of cocaine fell by a fifth and that of hashish by between a third and a half. Ecstasy is also half the price it was two years ago.

But the formerly Soviet-dominated applicants can argue that drug use began to rise only after their police



Nikodem Skotarczak: 'A more ambitious and relentless bandit decided to take over'

states were dismantled, and that drug flows across frontiers have been facilitated by the freedom to travel. The convertibility of local currencies, seen as an indication that economies are ready to compete within the EU, has turned these countries into financially liquid markets and money-laundering centres for international gangs.

For Estonia the problems were made worse, according to Tarmo Kariis, a government specialist, because the state-financed organisation for drug treatment and monitoring disappeared amid the debris of the command economy after 1990. It has yet to be rebuilt.

In addition, youth fads coming from western Europe have increased the attractiveness of drugs in the

applicant countries. The demand for synthetic recreational drugs such as ecstasy has grown, stimulated by big youth gatherings and western-style pop festivals.

Drugs are increasingly used professionally as well as socially. Students and school children facing exams and middle class executives working in tense environments use amphetamines to improve performance.

The result is that Poland has acquired a reputation for being a significant supplier of high quality amphetamines to western Europe. Yet the local demand is so great that it has led to a fall in exports, according to Wlodzimierz Ziemia, chief of intelligence at the country's Central Narcotics Bureau. "Today more and more Poles

are using it so there is very much less left for export," he says.

The EU is making many demands of the applicant nations in terms of their policy on competition and the single market, but it offers fewer solutions to the problems of drugs and organised crime.

That is partly because the EU has not yet established control over the big-time criminals who operate within its own borders. Mr Skotarczak was a case in point: he once escaped from prison in Germany by the simple expedient of changing places with his brother during a visit and walking out unchallenged. Ninety days passed before the prison authorities noticed the switch.

Stock exchange chief ousted

By Robert Anderson in Prague

The Czech Securities Commission, the new capital markets watchdog, yesterday scored its first victory by forcing out Jiri Franc, the general secretary of the troubled Prague Stock Exchange.

Earlier this week, Tomas Jezek, a member of the commission, threatened to withdraw the stock exchange's license unless Mr Franc took responsibility for the poor performance of the bourse and resigned.

Mr Franc stepped down at a meeting of the bourse's supervisory chamber of shareholders. He became a member of the chamber.

The commission plans an aggressive campaign to restore the bourse's reputation. Since its establishment at the start of April, the commission has frozen the accounts relating to two investment funds and has put another fund into forced administration.

Both Mr Jezek and Jan Muller, the commission chairman, have battled repeatedly with Mr Franc. Mr Jezek, a former bourse chairman, had tried to remove him earlier but had been unable to persuade the rest of the chamber.

Mr Muller resigned in January as chairman of Univyk, a bourse subsidiary, after a dispute with Mr Franc over the choice of software supplier for the exchange's

planned derivatives trading system.

Mr Muller said the dispute between the securities commission and the stock exchange was a "conflict of visions and expectations" which had unfortunately been presented as a personality conflict. Mr Franc's "best was simply not good enough". His resignation meant that the commission and the stock exchange would now be able to work together better.

Zdenek Bakala, head of Patria Finance investment bank and a member of the chamber, said: "The securities commission and the stock exchange should complement each other but it will take time for an efficient working relationship to develop."

Mr Muller, a former custody manager at Commerzbank and a long time critic of the capital markets, surprised observers earlier this year by accepting the chairmanship of the commission after criticising it as underfunded and lacking sufficient independence from the finance ministry.

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ASIA-PACIFIC

SHORT-TERM ASSISTANCE ALL PRIOR CONDITIONS FOR DISBURSEMENT HAVE BEEN MET, SAYS TOP FUND OFFICIAL

IMF to recommend Indonesia aid resumes

By Peter Montagnon in Geneva and Sander Theones in Jakarta

The International Monetary Fund will recommend to its board on Monday that it resume disbursements to Indonesia, releasing several billion dollars of short-term assistance to the crisis-torn country.

"There are no problems that would hinder disbursement. All the prior conditions have been met," Hubert Neiss, the IMF's top Asia-Pacific official said. He

was speaking after prices on the Jakarta stock exchange fell this week on fears that student unrest in Indonesia would cause the IMF to have second thoughts. He stressed that the demonstrations were not a factor in the IMF decision.

Indonesia was well on track with implementing its programme in the monetary policy area, where the printing press had "practically stopped". This was thanks to a tight discipline imposed with the help of outside spe-

cialists seconded by the German Bundesbank and the US Treasury, as well as multilateral institutions.

The weekly publication of basic monetary data had improved transparency, Mr Neiss added.

The IMF would monitor closely Indonesia's continuing compliance with the programme. The \$3bn loan tranche expected to be approved on Monday would be disbursed in three separate monthly chunks of \$1bn each. The money would be

accompanied by a "substantial" amount of financing from the World Bank, Asian Development Bank, Japan and other Asian governments.

Indonesia's success in controlling the money supply had helped stabilise the rupiah in exchange markets, Miranda Goelton, a director of the Indonesian central bank, said.

Ginanjar Kartasasmita, co-ordinating minister for economics and finance, said in Jakarta that he had

assured the Fund, World Bank and Asian Development Bank officials that the clove monopoly, held by a son of President Suharto, had been dismantled, as promised under Fund targets.

The company would be dissolved next week, handing over remaining clove supplies to farmer co-operatives. Remaining restrictions on palm oil exports, reported by producers, had also been eliminated, he said.

On the IMF targets, Mr

Ginanjar said it was likely that more of the troubled banks taken under the wings of a new bank restructuring agency would be closed "in the next few weeks" following the closure of seven banks in April.

Seven other banks forced to relinquish management control to the agency would be nationalised. The government would start lifting subsidies on imported fuel and electricity "by early June at the latest," meeting a key IMF requirement.

Holiday timing is left to bosses

By Bethan Hutton in Tokyo

Japanese workers must take holidays when it suits their employers, a Tokyo court ruled yesterday.

The ruling will scarcely surprise millions of Japanese workers crammed on trains and stuck in traffic jams this week as their employers closed factories and offices for the "Golden Week" cluster of public holidays.

The Tokyo District Court ruled that Jiji Press, a news wire service, acted improperly in firing Toshiaki Yamaguchi after he took a month-long holiday in the summer of 1992. Jiji said that Mr Yamaguchi's actions displayed an "anti-company tendency".

Many Japanese workers never take any time off outside the three peak holiday periods of new year, Golden Week, and the *o-bon* season in August, when families return to their ancestral villages to tend graves.

Companies often shut down offices and production lines for these periods, forcing employees to take their annual leave when ticket prices are most inflated and resorts are most crowded.

The government has been trying to encourage workers and companies to spread holidays over a wider period, partly to help the travel industry but also to make the annual holiday a more relaxing event and reduce the toll of ill-health and deaths from overwork.

But in many companies and government departments, using up your entire holiday allowance or even taking more than one week off at a time is still seen as demonstrating lack of commitment.

The Japanese ambiguity about holidays was clear in the response to the government's recent "Happy Monday" plan, which aimed to create more three-day weekends by moving several public holidays to the nearest Monday rather than fixed dates. It hoped this would boost domestic tourism.

But the plan was blocked by conservative forces, including a pensioners' group which felt that moving "Respect for the Aged" day to the nearest Monday would be less than respectful.

The youth lobby did not object, however, so from the year 2000, Japanese workers will be guaranteed one long weekend every January for "Coming of Age" day.

Mr Yamaguchi, who argued that he had chosen the least disruptive time for his holiday and had made arrangements for colleagues to cover for him, is seeking compensation for his dismissal. He is to appeal to the high court.

South Korea pledges to continue restructuring

By Peter Montagnon, Asia Editor, in Geneva

South Korea will continue its economic restructuring programme in spite of an improving financial situation, which has seen its reserves top \$30bn and its currency, the won, trade this week at its highest level since the crisis struck last year, the finance minister, Lee Kyu-sung, said.

International bankers have been growing worried in recent weeks that Korea was becoming complacent about the need for economic reform as market pressure subsided and might drag its feet in a way that could provoke a new loss of confidence among lenders and investors.

But Mr Lee said in an interview that efforts to restructure the banking system were on track and the new government of President Kim Dae-jung was determined to impose financial discipline on the country's large conglomerates so that they would reduce their gearing levels and sell non-essential businesses.

Interest rates had already fallen, with call-money slipping by three percentage points to around 19 per cent

during the month of April. The government would like to see rates fall further. It was not convinced that high interest rates would force conglomerates to restructure, but it was worried about the level of bankruptcies among small businesses and Korea's growing unemployment, Mr Lee said.

But it had to balance these concerns with the need to maintain stability in foreign exchange markets where Korea faced some residual vulnerability, notably to any new bout of yen weakness.

As evidence of the new climate towards foreign investment in Korea, Mr Lee said the government welcomed the interest shown this week by Germany's Commerzbank in acquiring a stake in Korea Exchange Bank (KEB), one of the largest banks.

Feared in the international financial community that the government was delaying the sale of two ailing banks, Korea First and Seoul Bank, were misplaced, he added.

The government had an agreement with the International Monetary Fund to auction the banks by November 15. It had appointed Morgan Stanley to handle the sale and a lead-

ing firm of US accountants to audit the books.

The new Financial Supervisory Commission was also on target, he said. Korean banks, which had failed to meet basic international capital requirements, were obliged to inform the commission of their rehabilitation plans by today and the regulator would decide by June whether the plans were acceptable, which banks to merge and which to close.

"This is a firm time schedule. It will never change," he said. A stronger banking system would help impose change on the conglomerates which were expected to reduce their gearing levels to around 200 per cent on average within two years from around 500 per cent at present.

Mr Lee also said the government would not be deterred by union protests against unemployment. But given expected large job losses in the car industry, he said the government would ensure that all sides respected the country's new labour law, which calls on employers to make efforts to retain workers with the help of government subsidy schemes.

Albright tells China of need for rule of law

By James Kyng in Beijing

Madeleine Albright, US secretary of state, indicated yesterday that China's pursuit of the "rule of law" is to become a key issue in its bilateral relations with the US and at a planned presidential summit in June.

Ms Albright, in Beijing to prepare for the summit, made a ground-breaking appearance before a recently opened National Judges College, where she praised China's efforts to reform its legal system and stressed that further work was needed to safeguard the country's commercial and social changes.

A Chinese academic with close ties to the leadership said Beijing was trying to replace its relatively arbitrary "rule of man" with a modern legal system. But, he added, this was a perilous endeavour because it implied a progressive containment of the powers of the Communist party, which rules by administrative fiat.

The primary motive behind China's legal reform programme is to attract more foreign investment and increase the effectiveness of domestic economic reforms, officials said. Many commercial activities, such as stock market trading and corporate privatisation, are carried out in China without a formal legal umbrella.



Madeleine Albright and Zhu Rongji, Chinese PM, yesterday Reuters

On other issues, Ms Albright indicated that some sanctions from the era of US censure of the 1989 massacre of protesters around Tiananmen Square may be lifted. US officials said a ban on insurance provisions to US companies from the Overseas Private Investment Corporation and on funding for US companies in China from the Trade and Development Agency may be lifted.

The easing of other sanctions - which include military sales, sales of crime control equipment and on China's launching of US satellites - is likely to depend on how many concessions

China makes. "We will consider future waivers in the context of progress on China's part," Ms Albright said.

China appeared unmoving on the issue of possible future talks with the Dalai Lama, the exiled spiritual leader of Tibet. Tang Guoqiang, a Chinese foreign ministry spokesman, said that the fact that the Dalai Lama broke off talks in 1993 showed he was insincere. He also accused the spiritual leader of professing a desire for autonomy in Tibet, when what he really wanted was full-scale independence.

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NEWS DIGEST

SETBACK FOR JAPANESE PARTY

Former prime minister quits his seat in Diet



Morihiro Hosokawa, a former prime minister of Japan (left), resigned his seat in the Lower House of the Diet yesterday. His period in office four years ago broke 38 years of rule by the Liberal Democratic party. Mr Hosokawa enjoyed a reputation for integrity as one who fought against entrenched political interests and the politically powerful bureaucracy. However, he abruptly resigned as prime minister in disgrace when it was rumoured that he had once used donations from a delivery company to win an election in his native Kumamoto prefecture. His departure is a setback for the Democratic party, which was formed by the amalgamation of various opposition groups created after the break-up of Shin Shinto, the former main opposition headed by Ichiro Ozawa. In a recent poll by the Asahi Shimbun, a leading national daily, the Democratic party received an approval rating of just 9 per cent, second behind the ruling LDP. Michio Nakamoto, Tokyo

JAPANESE ECONOMY

Construction orders decline

Government spending cuts and lacklustre private demand hit Japan's construction sector last month. Orders at the country's 50 biggest construction companies dropped an annual 4.7 per cent in March, according to the construction ministry. It was the third consecutive month of year-on-year falls for the industry, which employs about 10 per cent of the active workforce. Public sector orders fell 8 per cent, while private sector orders were down 1 per cent. The benefits of the latest ¥16,000bn (\$123bn) package are expected to start feeding through in June. For the fiscal year ending on March 31, orders were down 8.9 per cent on the previous 12 months.

The collapse in consumer confidence continued to hit the housing sector, where starts fell an annual 11.9 per cent last month. Starts of private homes and homes for rental - accounting for about two-thirds of the total - fell 11.4 per cent and 15.2 per cent respectively. In the year ending March 31, overall starts fell 17.7 per cent, with private homes down 29 per cent and rental homes down 16 per cent. Paul Abrahams, Tokyo

INVESTMENT IN MALAYSIA

Telecom stakes limits raised

Malaysia said yesterday it would raise the limit on foreign telecommunications equity holdings to 61 per cent from 49 per cent, in what analysts saw as an attempt to attract much-needed capital. But foreigners must cut their stakes to 49 per cent within five years and source all the funding from abroad. Approval will be granted only on a case-by-case basis.

Analysts said the conditions made it clear that Malaysia simply wanted to use foreigners temporarily to ease the pain on selected companies produced by the Asian financial crisis. Malaysian companies are struggling to raise funds as the regional crisis takes hold. Banks have become especially prudent, as bad loans rise. Analysts say Malaysia badly needs foreign funds but is unwilling to make the structural changes necessary to attract foreign investments. Leo Moggie, minister of energy, telecommunications and posts, said five years was sufficient time for foreigners to gain from their investments. Sheila McNulty, Kuala Lumpur

HONG KONG BANKS

Capital adequacy ratios lifted

Hong Kong regulators are to raise the minimum capital adequacy requirements for local banks as a consequence of the Asian financial crisis. Under existing rules, banks must maintain a minimum capital adequacy ratio of 8 per cent of total assets. In practice, Hong Kong banks - as with many in Europe and the US - have capital adequacy ratios of 10 per cent or above. The Hong Kong Monetary Authority, the territory's quasi central bank which supervises the banking sector, says it will formalise the level at a statutory minimum level of 10-12 per cent. Louise Lucas, Hong Kong

HOPES OF RICHES EIGHT KILLED AS THOUSANDS OF UNEMPLOYED WORKERS GO ON RAMPAGE IN TWO TOWNS IN HUNAN PROVINCE

Ban on pyramid schemes sparks rioting in China

By James Harding in Zhangjiajie, James Kyng in Beijing and John Riddling in Hong Kong

China instructed local authorities to maintain social stability yesterday after a ban on pyramid schemes, under which goods are sold on to other direct sellers hoping for riches, touched off rioting by unemployed workers.

The riots - which killed up to eight people in Zhangjiajie and Hengyang, towns in the central province of Hunan - threw into sharp relief the challenge China's leaders face as they push through free market reforms, which are causing a sharp rise in unemployment.

Dashed expectations of wealth can drive a militant urge in a country where many fear being left behind in the rush to get rich.

"We are all laid-off workers. We got into direct selling because of hardship. They shut our factory down," said one man in Zhangjiajie who had come from the neighbouring province of Anhui. He said he was selling an electric massage machine and Tibetan "snowy mountain" dietary pills.

The riots were the most serious example of social unrest since a milestone Communist party congress last September set down a course for accelerated free market reforms. Chinese commentators said that if

social unrest was to spiral out of control in China, the government might be tempted to slow economic reforms to restore stability.

The disturbances also highlighted how widespread unemployed direct sales schemes had become before the ban was imposed last week.

Li Gangting, mayor of Zhangjiajie, described the scenes of chaos in his town late last week. He said that about 10,000 people swarmed into the town on the day after the ban was announced, clamouring for their money back at the company which made the electric massage machines, Kang Fu Bao (Healthy Skin Treasure). Later, anger boiled over into rioting around the town hall,

where vehicles and shops were wrecked. Four people were killed and 53 injured, including 10 policemen.

"The rioters came from 16 provinces throughout China. Those killed got trampled under foot as the crowd stampeded," said Mr Li. "Many of these people were lured by the promise of riches and then deceived."

The retail price of the electric massage machine was supposed to be ¥700 (\$85), but some unsuspecting buyers were paying ¥3,500 in the hope of being able to sell on at a profit. Managers of the Kang Fu Bao factory had been arrested and about ¥7m had been paid by the factory in recompense so far, said Mr Li. Thousands more

direct salesmen are still waiting to be compensated.

Soldiers and scores of police patrolled the central square in Zhangjiajie last night, keeping watch over several hundred sales people who continued to try to sell their wares to bystanders.

In Hengyang, four direct sales company employees were reportedly killed when their sales people rioted in a demand for compensation. In Shenzhen, a Chinese boom town bordering Hong Kong, direct sales agents were appealing yesterday to the municipal government for help.

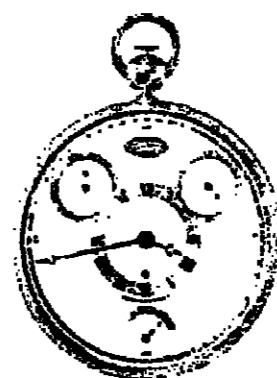
"I have been left with thousands of yuan of useless goods," said one agent who had moved to

Shenzhen to join the selling scheme. "I wanted to make money to send back to my relatives. Now I have nothing."

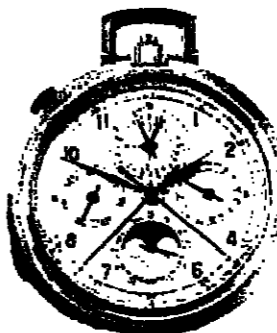
Chinese academics in Beijing said the greatest fear of the national leadership is of unrest among the unemployed.

"During the era of communism we never really had a genuine proletariat. Now as we try to create capitalism we have made true proletariats; those people who have no wealth at all," said Wang Shan, planning director of the respected Beijing Dingshengyuan Cultural Development Co.

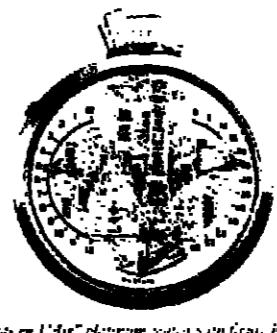
"The leadership is most afraid of unrest among these people," Mr Wang added.



"Carle Temp" gold watch, Abraham Louis Breguet, Paris, around 1806



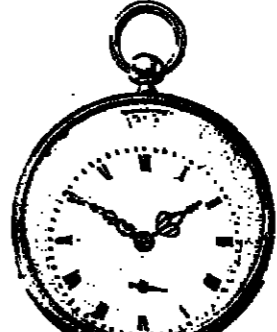
18 carat "Grande Complication" gold watch, Fath Philippe, Geneva, around 1911



"Breguet L'Air" platinum watch with tourbillon, Vacheron & Constantin, Geneva, around 1957



18 carat "Grande Complication" gold watch, Andreus Pappas, Geneva, around 1920



18 carat red gold watch, Vacheron & Constantin, Geneva, around 1840

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THE AMERICAS

US GROWTH REMARKABLY STRONG DOMESTIC DEMAND TEMPERED BY DRAG FROM ASIAN TURMOIL MEANS FED IS UNLIKELY TO RAISE INTEREST RATES

Wall Street celebrates the Goldilocks economy

By Gerard Baker in Washington

Wall Street was back in celebratory mood yesterday following clear evidence that the US economy remained locked on a benign path of solid growth with low inflation in the first three months of the year.

Three days after newspaper reports that the Federal Reserve was leaning towards an interest rate increase to kill off inflationary pressures, a stream of statistics yesterday suggested such talk was premature.

Particularly encouraging

for investors was the news that the pace of labour cost increases actually slowed in the first quarter, casting doubt on the proposition that low unemployment is about to send wages soaring.

But the most striking aspect of yesterday's reports was that they clearly underlined the central theme of the US economy's performance in 1998: remarkably strong domestic demand, tempered by a heavy drag on the economy from the Asian financial crisis.

In fact the divergence between the domestic and

external sectors of the economy was one of the most extreme it has ever been; economists said this merely emphasised how uncertain the outlook remains.

"What we have is the Goldilocks economy - not too hot, not too cold," said Robert D'Elia, chief US economist with Salomon Smith Barney, the New York investment bank. "But it's like a really hot bowl of porridge with great lumps of ice in it. The ice is the Asian effect, and no one knows how hot or cold the economy is going to get."

The headline figure for growth in gross domestic product - 4.2 per cent at an annual rate in the first quarter, up from last year's 3.8 per cent - masked the scale of the divergence. Domestic demand surged at an annual rate of 5.9 per cent, as consumer spending and residential construction accelerated.

Investment leapt at a rate of 17.6 per cent, with capital goods spending - mostly computers - up 29 per cent.

But the Asian effect cancelled out some of that domestic growth. Net exports - the negative con-

tribution to GDP from the trade deficit - deteriorated sharply to an annual rate of \$199bn, from \$159bn in the fourth quarter of last year. That took 1.8 percentage points from GDP growth.

The inflation picture was unambiguously benign. In the first quarter, domestic prices were stationary, the first time there has been no increase since 1984. Most important, the employment cost index - regarded by Federal Reserve policy-makers as the most reliable indicator of labour costs -

decelerated in the first quarter. Total compensation increased by 0.7 per cent, down from a 1 per cent pace in the previous quarter.

The critical question for the Fed's interest rate policy is: how will the tension between domestic and international factors play out from here? Yesterday's reports suggest the outlook is more uncertain than ever.

It seems probable that the strong pace of domestic demand will ease slightly over the next few months, but it is not known by how much. Economists believe

the first quarter figures were probably distorted by unusually warm weather in January and February, which meant construction and consumer spending were much higher than usual.

But the main factors underpinning domestic spending have not changed. With inflation still declining, real wage growth is at its highest level this decade. Nominal interest rates are near their lowest levels in five years. The stock market - which recovered most of the week's early losses yesterday - is still making con-

sumers feel confident about their future.

The other uncertainty is what happens to trade. It is highly probable that, though the Asian crisis may be easing, the US has not seen the worst of the impact on its trade position.

Trade is likely to subtract heavily from GDP growth for the rest of 1998. In these circumstances, and with inflation still a distant fear rather than an imminent reality, few economists believe the Fed is ready to pull the interest rate trigger for at least a few months yet.

Setback for Clinton over Lewinsky

By Mark Suzman in Washington

A federal judge has ruled that Monica Lewinsky did not strike a valid immunity deal with prosecutors concerning her testimony on allegations that US President Bill Clinton tried to persuade her to cover up evidence of an affair between them.

The decision is a blow for the White House and leaves open the possibility of Kenneth Starr, the independent counsel, filing criminal charges against Ms Lewinsky unless she co-operates fully with his investigation.

Ms Lewinsky's lawyers had contended that Mr Starr agreed to give Ms Lewinsky immunity from prosecution, in January following a written "proffer" detailing what her testimony would say.

However the independent counsel's office denied a final deal had been struck, an interpretation with which Judge Norma Holloway, the judge overseeing the investigation, has now concurred.

Although the ruling is not yet formally public, Judge

Holloway is understood to have notified all parties about her decision last week.

Ms Lewinsky has denied under oath having an affair with Mr Clinton, but the proffer is believed to have admitted a sexual relationship while denying the more serious charge that the president sought to persuade her to lie about it.

Mike McCurry, White House spokesman, suggested the decision had been leaked to the press in order to embarrass Mr Clinton ahead of a planned press conference yesterday. "I think the story managed to find its way into the public domain after it was clear we were having a press conference," he said.

However, Mr McCurry indicated it was very unlikely Mr Clinton would expand on his previous denials of an affair and provide details of his relationship with Ms Lewinsky.

"He's been very clear on these matters and I expect him to be as clear as he's been in the past," Mr McCurry said.



Lewinsky outside her home this week

Although the judge's ruling is subject to appeal, it could help revitalise Mr Starr's flagging investigation. In recent weeks, Democrats have taken advantage of growing public impatience with the matter to call for a rapid end to the inquiry.

However, Mr Starr has been severely hampered by legal delays caused by the dispute over Ms Lewinsky's immunity status and a separate argument with the White House over whether

senior presidential aides and secret service agents can be required to testify on the matter.

Mr Starr now has several options to try to secure the co-operation of Ms Lewinsky, who is regarded as the key witness in the investigation.

He can either try to renegotiate an immunity deal in exchange for more detailed evidence than was initially offered, or force her to testify under threat of prosecution.

Microsoft facing states' anti-trust suits

By Louise Kehoe in San Francisco

Legal action aimed at preventing Microsoft from launching a new version of Windows now appears imminent. Attorneys-general from 13 US states are preparing an anti-trust lawsuit against the software company in which they are expected to seek an injunction to block sales of Windows 98.

The timing and details of the lawsuit have yet to be determined. However, the action now appears likely to move ahead quickly following a series of meetings between the state officials and Microsoft executives last week.

Those meetings are understood not to have resolved the states' concerns about Microsoft's plans to blend its internet browser software with its personal computer operating system in Windows 98, a new version of Windows that is scheduled for release into retail channels in late June.

Industry analysts said that any such lawsuit would need to be filed before mid-May, when Microsoft plans to pro-

vide copies of Windows 98 to PC manufacturers who would install the software on their products. After that date, the potential for business disruption throughout the PC industry would weigh heavily against a court granting an injunction.

With dozens of other software developers planning to introduce applications programs designed for use with Windows 98 and PC manufacturers also gearing up for the introduction of the Microsoft program, there is a mounting sense of urgency surrounding the anti-trust inquiries.

Political support for anti-trust action against Microsoft is also rising. Edward Markey, a leading Democrat congressman, said yesterday that the Justice Department was "absolutely right to take action" against the company.

The state attorneys-general have been investigating Microsoft's activities for several months. Their inquiry is separate from that being conducted by the US Justice Department, although state and federal investigators have shared information.

Caracas takes phone dispute to court

By Raymond Colitt in Caracas

The Venezuelan government is taking a dispute over the monopoly rights of the country's telecommunications provider to court, in an attempt to speed up the opening of the basic telephone market.

The ministry of transport and telecommunications said yesterday it would ask the Supreme Court whether the government can authorise new telecommunications companies to invest before November 2000, when the monopoly of Compañía Anónima Nacional de Telefonos de Venezuela expires.

"This is not about the date of opening the market to other operators; we want to clarify whether the government has the right to allow other companies to invest in the sector before 2000," said Moises Orozco Graterol, minister of transport and communications.

CANTV's monopoly rights in the fixed line market are part of a sales contract signed in 1991 by an international consortium that acquired a controlling stake in the company.

The group is made up of GTE and AT&T of the US, Telefonos de España of Spain, as well as a Venezuelan bank and a utility company. CANTV said it agreed to have the dispute settled by the Supreme Court but declined further comment.

"A court decision in favour of an early tender could force CANTV to reveal its investment plans," says Ricardo Penfold, senior analyst with Santander Investment in Caracas. CANTV has already been investing heavily in infrastructure so as to defend its market share after 2000.

A number of investors, including the Venezuelan Cisneros group, which now competes with CANTV in the cellular telephone market through its subsidiary Telcel, have expressed interest in basic telephony.

The row began when Mr Orozco last year announced an international tender for additional operators to compete in basic telephony. The government is keen on having investors build up an infrastructure to be able to compete when CANTV's monopoly expires.

INTERNATIONAL

Israel relaxes to celebrate 50th birthday

By Judy Dempsey in Jerusalem

Israelis yesterday celebrated 50 years of independence by leaving aside their customary impatience and instead rambled in the parks, indulged in barbecues or took to the coast.

Drivers refrained from honking their horns, a common habit even if the traffic lights have not quite changed to green. And they gave way to parents and children ambling along in the warm sunshine.

Even the radio changed its tone. The endless daily repertoire of political pro-

grammes, interviews and arguments was off the airwaves. The stations instead played music for most of the day. For once, politicians were not available for comment. And much to the relief of the organisers, the event marking the climax of the celebrations - "Jubilee Bells", a musical extravaganza in a stadium not far from the Israeli Knesset or parliament - was scheduled to go ahead as planned.

Typical of the tensions between the secular and religious strands of society, some ultra-Orthodox Jews had demanded the Batsheva

Dance Company, the highlight of the evening's entertainment, change its routine. Part of it involved the dancers stripping down to their underwear. The ultra-Orthodox said it was offensive to watch. The artists held their ground, insisting they would not vow to religious coercion or censorship.

Al Gore, US vice-president, who arrived in Israel yesterday, will be the guest of honour at the "Jubilee Bells". After earlier inspecting a guard of honour, he reassured Benjamin Netanyahu, Israeli prime minister, of Washington's loyalty to

Israel. "As Israel faces its next 50 years, these uncertain times yield certain truths - the most important among these is the trust that as Israel fulfils its destiny, the United States of America will never let you stand alone." He made no reference to the stalled peace negotiations with the Palestinians. Mr Netanyahu lavished praise on Mr Gore, who is hoping to succeed President Bill Clinton into the White House.

Across the other side of the city, on the outskirts of east Jerusalem, the atmosphere was markedly different.

ent, with the divisions between the pro and anti-peace camps as sharp as ever. Near the foot of the hill of Har Homa, Jabal Abu Ghneim in Arabic, police prevented a few hundred Peace Now activists from going up the hill. They were demonstrating against government plans to build a new Jewish settlement, which they said would destroy the peace process. They waved placards proclaiming: "Har Homa Equals War."

However, 4,000 nationalists and Jewish settlers, waving Israeli flags, did climb to the

top of the hill. The settlers believe the government is dragging its feet in issuing the tenders to start the construction of up to 6,000 homes. So they laid a cornerstone, symbolising the beginning of construction as much as their political clout. Their supporters were bused in from the West Bank settlements and provided with entertainment and refreshments.

In contrast, no Palestinians have been allowed enter Israel from either the West Bank or Gaza until Sunday. The government refused entry for security reasons.

Syrian poet Qabbani dies

Nizar Qabbani, the Syrian poet whose verses on love and life inspired generations of Arabs, died yesterday at his London home. He was 75, AP reports.

Qabbani, a former diplomat, suffered a heart attack and died in the early hours, his family said. He had been in poor health for some months and had undergone open-heart surgery last year. In the Arab world, radio and TV stations led bulletins with the news. Syrian television interrupted its programmes, and Hafez Assad, Syrian president, gave orders for an aircraft to bring Qabbani's body home.

"His poetry was more powerful than all the Arab regimes put together, although it entailed only moral power," Beirut literary critic Abdou Wazen said, as tributes poured in from across the Arab world.

Prayers were scheduled for today at London's biggest mosque in Regent's Park.

Qabbani quit the Syrian diplomatic service in 1968 after serving in embassies in Paris, London, Beijing and Madrid. It was while working as a diplomat in London that he caught public attention in 1954 when he published "Childhood of a Breast", a collection of poems that broke with conservative Arab traditions.

Widely known as the "poet of women and love", Qabbani also wrote on political themes. He was an Arab nationalist. But his poems also ridiculed Arab dictators, blaming them for social backwardness and defeat in wars with Israel.

He wrote more than two dozen books of poems. He also contributed to the London-based Arabic-language newspaper, Al-Hayat.

"When will they announce the death of the Arabs?", a poem published in 1984, provoked controversy in the Arab world. It contained the lines: "They have no daughters/they have no sons/and there is no grief/and there are no mourners."

Terrorism claims fewer casualties

The number of casualties from international terrorism dropped sharply last year compared with 1996 and the overall total of such incidents fell to one of its lowest annual totals since 1971, the US State Department said yesterday. AP reports from Washington.

The department's annual terrorism report said 221 persons died last year in terrorist acts compared with 314 in 1996. The number of wounded also was down - 693 last year compared with 2,912 the previous year. Colombia was the scene of more than one-third of all terrorist attacks last year worldwide.

The most serious incident last year worldwide occurred in Egypt, when terrorists killed 82 people at a temple in Luxor in November, the study said.

Seven US citizens died and 21 were wounded in 1997 compared with 23 dead and 510 wounded the previous year, the report said.

Of the 304 acts of international terrorism last year, about one-third were against US targets, and most of those consisted of low-level bombings of multinational oil pipelines in Colombia. The attacks caused damage but no casualties. Colombian terrorists regard the pipelines as a US target.

The decline in terrorist incidents in recent years was attributed in part to the success of law enforcement agencies in tracking down those responsible and giving them severe prison terms.

According to the report, Iran was responsible for 13 assassinations in 1997 and remained the "most active" state sponsor of terrorism in 1997 despite a more conciliatory posture by Iranian President Mohammad Khatami, who was inaugurated last August. A diplomat at Iran's UN mission in New York declined to comment on the report, saying the mission had not yet seen it. The report held Iran responsible for eight assassinations in 1996.

'Doctor' who wants democratic Arab TV

Roula Khalaf on a satellite channel chairman having trouble convincing media circles in the region of his political motives but determined people will have their voices heard

In a news house in central London, Soumar al-Assad, the 27-year-old chairman of Arab News Network (ANN), ponders the sorry state of government-controlled Arab television news programmes. He describes the mission of his satellite channel, launched last year, as the creation of "democratic" Arab television. "We are a new school in Arab media and what we are trying to achieve is free journalism," he declares.

But "Dr" Soumar, as he is known at the station, though he has yet to complete a PhD, is having trouble convincing Arab media circles of both his political motives and his long-term ability to stay on the air.

His biggest problem is summed up by the portrait on his desk. It shows his father, Rifaat al-Assad, brother and displaced rival of Hafez al-Assad, the Syrian president.

In February, Rifaat was dismissed from his largely ceremonial post of Syrian vice-president. It was official confirmation of a rift between the brothers which dates back to 1984, when while the president lay ill, Rifaat marched his elite defence force into Damascus. Rifaat's action was seen as an attempt to take power. After a tense stand-off, he

was sent into exile in Europe. He was permitted to retain a vice-presidential title to keep up appearances and was allowed back into Syria only on the death of his mother in 1992.

During his exile, Rifaat dabbled in the media business, starting four publications in Paris in the 1980s. By 1992, he had closed them all down for financial reasons.

ANN is part of a planned media comeback for the family. The young Mr Assad started a weekly magazine

recent decision to make Rifaat's dismissal public.

During the visit of Crown Prince Abdullah of Saudi Arabia to Syria that month, ANN showed footage of a dinner given in his honour by Rifaat, an old friend. ANN's decision to highlight this private meeting appeared to be an attempt to embarrass President Assad.

Soumar says ANN was then at an "experimental stage" and pictures of the crown prince's meetings with the president were also broadcast.

But media executives say the pan-Arab advertising market, estimated at \$1bn, is not expanding fast enough to sustain the growth of satellite TV, which has been stimulated by billions of dollars of investment, much of it from Saudis connected to the royal family.

"Those with the most money can be on the air today. But it will take time before the dust will start to settle"

Many governments in the region may be keen to prop ANN up as a competitor to Al Jazeera, the only other Arab satellite channel devoted to news.

Al Jazeera is backed by the Qatari government, and its critical programmes have infuriated many Arab rulers. Arab newspaper reports say ANN has already received an infusion of capital from Saudi investors this year to allow it to compete better with Al Jazeera, though Soumar denies this.

Al Jazeera was launched at the end of 1996, stepping into the space left when BBC Arabic Television collapsed

earlier that year, following political and programming rows between the British broadcaster and its Saudi joint-venture partner. Al Jazeera took over much of the BBC staff.

Since then, it has provided the most daring news programming and political debate the Arab world has seen, and followed an agenda which aims to break the taboos imposed by Arab rulers - be it human rights, women's issues, or political opposition.

Governments from Kuwait to Egypt and Algeria have lodged official complaints about the channel with the



Soumar al-Assad believes in 'democratic television'

Qatari government. But when a Kuwaiti minister went to Qatar to complain about what his government saw as the channel's pro-Iraqi stance, Al Jazeera was not intimidated.

Instead, the channel covered the visit, publicising its own importance in the Arab world and angering the Kuwaitis even more.

Soumar acknowledges that Al Jazeera is a worthy competitor, but not one he is keen to emulate. His notion of "democratic television," he says, is not to attack governments or opposition groups, but simply to give everyone's views.

BRITAIN

FINANCIAL REGULATION FUND MANAGEMENT WATCHDOG PENALISES TRUSTEES OVER PETER YOUNG SCANDAL

Bank and insurer fined over trustee role

By Jane Martinson,
Investment Correspondent

Imro, the fund management watchdog, imposed the first fines on trustees responsible for unit trusts yesterday after an investigation into two companies involved in the Peter Young scandal.

General Accident, the insurer, was fined £120,000 for its role in the case that led to the suspension of Mr Young in September 1996. Mr Young is a former fund manager at Morgan Grenfell.

The action has highlighted the issue of trustees' responsibilities. Imro said yesterday: "The bottom line is that trustees must be proactive in looking after the interests of investors. They must not forget why they are there and should not take anything on trust."

Royal Bank of Scotland, which took over the trusteeship of the two funds in the months preceding Mr Young's suspension in September 1996, was fined on two counts: it was found guilty of failing to supervise the trusts adequately and of failing to identify that the investments ran counter to regulations.

The company, which still acts for the two trusts as part of a £36bn portfolio, was ordered to pay Imro's costs of £143,400.

RBS said yesterday that it had been trustee to the funds - the European Growth Trust and Europa Fund - for only a short time when the breaches came to light in August 1996.

It was also working on new compliance systems, which came into effect in January 1997.

General Accident received a lower fine because it was found to have actively investigated the activities of Mr Young during its tenure of the trusts. "Having asked the questions they didn't follow it up," said Imro.

GA, which pulled out of the unit trust business early in 1996, was ordered to pay higher costs of £247,400 after breaching four rules.

As well as failing to notice the type of investments and their concentration, it also failed to record breaches in its report and to take certain share certificates into custody.

Imro did not find any evidence that GA failed to notify the regulator about any known misdoing.

Industry analysts had not expected the fines to be so different. However, GA made a combative statement in response to the fine. Richard Whitaker, GA company secretary, said the company was disappointed by the ruling.

"As can be seen by the length of time it has taken Imro to deal with this, the matters are highly complex... In this context GA believes that overall it discharged its trustee duties both diligently and competently," Mr Whitaker said.

Mr Young is still subject to an investigation by the Serious Fraud Office.

IRA refuses to hand over weapons

By John Murray Brown
in Dublin

The UK government yesterday warned that Sinn Féin could not "pick and choose" from the Northern Ireland peace accord, after the IRA, its military wing, announced it would not "decommission" its arms.

Calling the deal a package, Tony Blair, prime minister, said: "There cannot be parts that people agree with and parts they do not agree with - and it's not just a question of decommisioning."

In Belfast, where he was speaking at a Chamber of Commerce lunch, George Mitchell, the US senator who chaired the multi-party talks, said decommisioning should "begin as soon as possible and be as complete as possible."

"I am convinced beyond any doubt that the overwhelming majority of the people of Northern Ireland, while acknowledging their differences, want to solve those differences through democratic and exclusively peaceful means," he said.

The IRA statement, its first on the April 10 agreement, ruled out any decommisioning of arms. Carried in this week's *An Phoblacht*



On the day the Irish Republican Army made the weapons announcement, this IRA mural in the district of Anderstown, west Belfast, was the backdrop for a familiar domestic scene

Republican News newspaper, it said while the peace accord was "a significant development" it fell short of a durable settlement.

But the IRA also commended the "success" of the Sinn Féin peace strategy,

and urged republicans to follow the advice of the party leadership, who are expected to recommend acceptance of the agreement when they meet at a special conference on May 10.

Unionists reacted angrily.

The Rev Ian Paisley, leader of the hardline Protestant Democratic Unionist party, which is campaigning against the peace deal, said: "The IRA is putting its thumb mark on the agreement, but they are also

warning the government that if they do not get what they want they will go back to terrorism."

David Trimble, leader of the Ulster Unionists, was more circumspect, warning: "You can't say there is an agreement if some party has a private army, armed to the teeth, and ready for action."

Mr Blair said: "It has got to be absolutely clear that people who serve in the government of Northern Ireland have to give up violence, whichever party it is."

The continuing concern over decommisioning was underlined by an attempted bombing of the Protestant garrison town of Lisburn, which houses the headquarters of the British Army in Northern Ireland. Police estimated that the bomb, which was made safe by army experts, contained up to 340kg of explosives.

However, government officials in the Republic of Ireland played down the IRA statement, which they suggested was an attempt to woo hardliners ahead of the referendum to ratify the deal on May 22. Gerry Adams, Sinn Féin president, said: "I think everyone needs to calm down. What do people expect the IRA to say?"

European defence changes 'must not bar US'

By Alexander Nicoll,
Defence Correspondent

The government, although keen for consolidation among European defence manufacturers, would not insist UK companies be part of a combined grouping if they felt it was against their interests, John Battle, industry minister, said yesterday.

Mr Battle and Lord Gilbert, defence procurement minister, were quizzed by MPs in a joint session of the House of Commons defence and industry committees on the implications of pan-European defence consolidation for relations with the US.

"Our intention is not to build a fortress Europe. We face in both directions," Mr Battle said. Lord Gilbert said a push towards European integration had been needed for decades and was now being driven by rapid consolidation among US defence manufacturers.

MPs expressed concern about whether UK companies merged into a pan-European entity would continue to have access to US technological research and to Pentagon weapons programmes. The US is believed to be reluctant to share advanced technology with French companies. "We're anxious to see that access to sensitive technologies is in no way imperilled," Lord Gilbert said.

The ministers stressed it was up to defence companies to produce solutions on integration and to decide what would be in the best interests of shareholders. British Aerospace, Aerospatiale of France and Daimler-Benz Aerospace of Germany submitted a joint report in March to European governments that had challenged them to produce a rationalisation plan for the aerospace and defence industry.

Mr Battle said the report, which has not been published, indicated wide areas of agreement as well as issues that needed to be resolved. He said the three companies agreed on forming a single corporate entity bringing together civil and military aerospace.

Asia work decline hits consulting engineers

By Gautam Malkani in London

Cancellation of big construction projects in south-east Asia is affecting the market for British consulting engineers, the Association of Consulting Engineers said yesterday.

Its annual workload survey, which shows a 15 per cent increase in the gross fees for UK-based work last year and a 7 per cent rise in fees for overseas contracts, reflects a reversal of the trends in the sector in 1996.

Gross fees from UK work rose to £1.3bn (£2.2bn) and those from overseas contracts increased to £940m. The results compare with a flat UK construction market and a 20 per cent increase in the value of overseas work in 1996.

But while fees earned outside the UK increased, the capital cost of projects in which ACE members were

involved fell by 7 per cent to \$99bn. This is attributed to the financial crisis and economic uncertainty in south-east Asia where the capital cost of work fell by 15 per cent to \$44bn.

"On the evidence of our international work it would appear to be more than a blip. If it carries on then clearly there will be an effect on the home market because a lot of projects are Japanese-based," said Nicholas Bennett, chief executive of ACE.

Projects cancelled to the cost of British-based consultancies included the 11bn Yangpu land, planning and development project in China, where London-based Maunsell was the leading consultant.

The shrinking south-east Asian market is unlikely to dominate the international market this year as it did in 1997. However, construction

activity in other regions are steady, with improvements recorded in the US, Middle East and Africa.

● The UK Chemicals Industry Association said it expects chemicals output to fall this year because of the strength of sterling. Roger Taylor writes. The leading trade body for UK chemicals manufacturers said yesterday that the industry output would fall 1 per cent this year after its annual survey revealed a 0.6 per cent fall in output last year. Output in the rest of Europe rose 4.5 per cent last year.

The survey also revealed that investment levels in the sector were set to fall after peaking this year.

This contrasts with other countries where investment spending is set to grow strongly this year, with France, the Netherlands and the US forecast to see a rise of more than 10 per cent.

Attack on City over regions

By Brian Groom in London

The City of London was attacked by a senior business leader in the English Midlands last night as failing in its responsibilities to regionally-based companies.

Brian Woods-Scawen, chairman of accountants Coopers & Lybrand in the area, said institutions and fund managers were missing investment opportunities because they failed to understand companies that were likely to succeed. The criticisms are likely to be echoed in other regions.

Mr Woods-Scawen said companies in the English Midlands had developed world-class managements after learning from the recessions of the 1980s and 1990s, particularly in manufacturing, but were held back by their relationship with investors. "Many invest-

ors do not take the time and effort to understand the company's strategy, they do not have enough insight to add value to the relationship and most of all they don't say what they think," he said.

"Too often, if investors are dissatisfied, they speak in a coded language which is hard to translate. As a result, management is not fully aware of what the investors are saying."

Research last year by BWD Rensburg, a financial services group, showed the UK had 2,145 quoted companies - 641 in London, 441 in the rest of the south-east and 742 in England's regions, Scotland and Wales (excluding investment trusts).

Mr Woods-Scawen said: "More than 100 ples in the Midlands are capitalised at less than £100m and are therefore below the radar screen of many institutions."

Stock Exchange keeps its head down

Strong feeling sets in over market's electronic ordering system, George Graham writes

London Stock Exchange officials have been keeping their heads below the parapet, hoping that market users would find themselves sufficiently occupied by the problems of the Life futures market.

As consultations draw to a close over possible changes to the Sets electronic order book introduced by the exchange last October, however, the undercurrents of ill-feeling among brokers, companies and institutional investors are starting to bubble over.

Market users fall into different camps but many echo the basic complaint that Sets is capturing such a small share of trading volume that its prices are erratic and unrepresentative of the overall market.

In the consultation document it issued to market users, the exchange said 60 per cent of eligible trades were going through the order book and that the order book was used as the order book for other trades executed over the telephone.

But critics complain that the exchange's definition of eligible trades - it excludes very large trades, which are usually dealt with over the telephone, and small trades below the order book's minimum - arbitrarily exaggerates the success of Sets in capturing volume.

Philip Angar, managing director of Schroders Securities, told the exchange in a letter that its claim that 60 per cent of eligible trades were going through the order book was "seriously misleading."

He also said spreads between buying and selling prices for institutional investors had doubled to 60 basis points since the introduction of Sets, even if, as the exchange document argues, retail spreads have improved by about 15 per cent.

Discussion over changes to the Sets system focuses on four main issues:

● Should the minimum order size be removed or lowered? Orders are now accepted only for more than 16,000 shares, or 500 for companies with high share prices.

● Should the market open later and close earlier? Trading is especially thin in the first hour after the market opens. Dealers at the big institutional investors argue

Executives voice their complaints

Low complaints about the workings of the London Stock Exchange's electronic order book have come from company executives who have watched their share prices swing dramatically for no apparent reason.

Companies with volatile share prices have complained that the electronic order book, Sets, has produced greater swings than the old marketmaking system used until last October.

Schroders, the banking and fund management group, has been one of the most erratic companies, partly because much of its capital is held by family and other investors.

Nick MacAndrew, finance director, said the company's shares had been the worst and best performer in the FTSE 100 on two consecutive days with little underlying movement.

Michael Perman, company secretary at fund management company Amvescap, said: "Everyone recognises that Sets is not working very well."

for a 6½-hour trading day, the same as New York, though some exchange officials worry that this would open up a gap in the morning, which European bourses could exploit to win business.

● Should the last trade of the day still set the closing price? Options include closing earlier, in the hope that this will improve liquidity; using the last trade before 16,000 as the official closing price but keeping the order book open for further trading; or using a formula such as the average of trades in the last 15 minutes, weighted by volume.

● Should the order book, currently used for the FTSE

100 and a handful of other stocks, be extended to the FTSE 250? The exchange warns in its consultation document that more than half of these smaller companies have fewer than ten eligible trades a day and could see wider spreads on the order book than they do today.

Several groups, for example the Association of Private Client Investment Managers and Stockbrokers, have strongly urged the exchange not to extend the order book.

Some of the options set out by the exchange's consultation document receive strong backing among some of the market's users, but few attract unanimity.

NEWS DIGEST

LAW MERGER

Firm's expansion set to widen its European base

Eversheds, the national law firm, yesterday announced that it is to merge its London office with Frere Chalmers Bischoff, the City law firm.

The merger, which will take effect on August 1, will increase the size of Eversheds' London office to 70 partners and 200 other fee earners placing it in the top 20 law firms by size in the capital.

Frere Chalmers brings with it offices in Paris, Moscow and Monaco, to add to Eversheds' offices in Brussels and Copenhagen. Not all Frere Chalmers's 42 partners will be joining Eversheds.

Eleven of them, plus the firm's entire property and private client departments have decided to set up a new independent law firm to be called Forsters. The senior partner of Forsters will be David Willis. Robert Rice, London

CONSUMER SURVEY

Economic optimism falters

Confidence in the UK's economy may have slipped but people are still preparing to make substantial purchases in the coming year, according to a report published today.

Business Strategies, an economic research group, says its report shows consumer optimism in the first quarter of this year falling back to levels seen before last year's general election in May.

"The latest results point to a nationwide cool-down, but sentiment remains strong and there is still some way to go before it is down to its long-term average," said Jacqui Timothy, the group's managing economist.

Economic optimists retained a 22-point lead over pessimists for the coming year. That is only two points below the positive balance in the first quarter of 1997 but well below the 28-point lead at the end of last year. Richard Adams, London

AGRICULTURE

EU subsidies cut further

UK farmers will see their European Union subsidies cut once more as a further revaluation of the "green pound" was set yesterday. The change will cut the sterling value of European Union agricultural payments by 2.6 per cent, and lead to renewed calls from farmers for compensation.

The green pound is the exchange rate at which EU agricultural payments are translated from Ecu into sterling. A rise in the pound against European currencies thus cuts the value of EU aid when translated to sterling.

This is the sixth time the rate has been revalued since 1996, giving a total revaluation of 18.7 per cent.

The National Farmers Union said it was "a further blow to the farming community at a time when incomes are already in crisis". Maggie Urry, London

FOREST PRIVATISATION

Sale 'mismanagement' claim

The Forestry Commission, which manages state-owned forests as well as their sale, is today accused by the powerful National Audit Office of mismanaging a sell-off of British forests.

The Forestry Commission, which manages 10 per cent of British forests which belong to the state, was mandated to sell 100,000 hectares of forest between 1989 and 2000. The aim of this programme, which is already 60 per cent complete, is to raise £150m (£250.5m) for the state by 1999.

But an NAO investigation, which studied a sample of 2,100 hectares already sold, concluded that the Commission lost the taxpayer £1.1m in potential financial surpluses up to 2014 from these sales alone. Leyla Boulton, London

RAIL ROUTE TO CITY OF LONDON

Trains in near-miss

Safety officials yesterday began an investigation into a near-miss between two rush-hour commuter trains just outside Cannon Street station, a London terminus for City-bound travellers from south east London and Kent.

The incident coincided with the publication of a report showing that complaints about rail services in southern England had risen sharply during the year ended March, 1998.

In the London incident, no-one was hurt but services were disrupted for much of the day. The Railway Inspectorate, the Railtrack infrastructure company and Connex Rail, the operator of both trains, all began investigations.

The incident occurred one day after publication of the official report into a train crash at Watford to the north of London in August 1996 in which one person died and 73 were injured. The report urged Railtrack to look at the issue of trains passing red signals. Charles Batchelor, London

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BRITAIN

Transition to euro is moved closer

By Robert Peston,
Political Editor

A national plan for converting sterling into euros will be produced by the end of the year, Gordon Brown, chancellor of the exchequer, said in the House of Commons yesterday. His announcement was the clearest sign of the government's determination to participate in European monetary union early in the next century.

Gordon Brown's announcement, on the eve of the European summit expected to confirm the 11 initial Emu members, follows agreement on the UK's euro preparations made by ministers, officials and businessmen who sit on a special government committee.

Minutes of a recent committee meeting - whose members include Mr Brown, Eddie George, governor of the Bank of England, the UK central bank, and Sir Colin Marshall, CBI president - say that "government departments should take forward steps to help firms use the euro from 1999, including legislation and administrative changes".

Mr Brown said that from next year, all British companies would be able to use the euro for filing accounts, paying taxes and issuing shares. He added that the UK - as with other EU members - would cast its vote at this weekend's summit in favour

of 11 countries joining at the 1999 launch of Emu.

The summit will be dominated by attempts to resolve the impasse over the appointment of the founding president of the new European Central Bank, which will manage monetary policy for Emu members.

Strenuous attempts are being made by the UK, as EU president, to secure agreement on the appointment of Wim Duisenberg for a full term. There would be an informal deal that he would retire after four years to be replaced by Jean-Claude Trichet of France.

According to a senior UK official, principal opposition to this is coming from President Jacques Chirac of France. "Joséphine [the French premier] and the rest of the government are on board," the official said.

Mr Brown reaffirmed that "we are committed to the principle of joining the single European currency" and wanted to make a decision on membership "early in the next parliament".

"There was no possibility, he said, of the government being blown off this course, either by pro-Europeans wishing that the UK would participate sooner or by sceptics opposed to membership. In the coming weeks, the chancellor will launch a campaign to demystify monetary union.

Editorial comment, Page 13

LABOUR GOVERNMENT'S FIRST YEAR PREMIER PLANS 'NAPOLEONIC' CHANGE TO MAKE MINISTRIES WORK IN HARMONY

Dominant leader grows into his presidential image



Flashback a year ago from tomorrow, Tony Blair made a triumphant entrance at 10 Downing Street, the premier's official London residence. The Labour party had just won its first national election since 1974 and had pushed the Conservatives into opposition after 18 years in power

Tony Blair has pulled off Margaret Thatcher's feat of appearing to be above the rest of the party, says Robert Peston

Tony Blair is intent on creating a "Napoleonic system of government" in contrast to the "feudal approach" which he inherited when becoming prime minister a year ago.

This sententious declaration was made by one of his most trusted and influential lieutenants. He was referring specifically to a review of the role of the Cabinet Office designed to forge a common purpose for all ministers and their departments.

Hitherto, the great ministries have behaved like "warring baronies," vying for the largest share of the spending cake and conducting individual policy battles. The prime minister's aim is that they should all be cogs linked by a "powerful belt" so that they whirl in harmony.

According to this vision, the details of which are about to be made public, the cabinet office will be the connecting belt, with an enhanced role as the co-ordinator of policy. However, it will remain quasi-independent of Downing Street and will not become a prime minister's department, for fear of embroiling Mr Blair in petty ministerial spats.

Instead, one of his most loyal colleagues - almost certainly Peter Mandelson, the minister without portfolio - will pull the levers to make the government machine run smoothly.

This picture of Napoleonic co-ordination and control tells much of the story of Tony Blair's first year in government. He has domi-

nated politics in that period, to the extent that today feels more like his anniversary as premier than the Labour government's first birthday.

Whether it was conducting the cacophony of emotions which followed Princess Diana's death or working around the clock to secure a political settlement for Northern Ireland, he conveys the impression of being born to be prime minister.

"I'm afraid all our private polling shows that his personal ratings are remarkably high," said one of the opposition Conservative party's chief strategists. Mr Blair has pulled off Margaret Thatcher's feat of appearing to be above his party.

He made one serious misjudgment, which was to allow Bernie Ecclestone, head of Formula 1 motor racing, to lobby him successfully over the tobacco sponsorship issue, even though this was bound to appear improper since Mr Ecclestone had given £1m (£1.67m) to the Labour party only a few months earlier.

By the same token, it is not completely fair that Mr Blair receives most of the credit for the government's perceived successes. Its most trumpeted policies - the welfare-to-work programme for the young unemployed and a raft of measures to create jobs and increase the take-home pay of the low paid - were created by Gordon Brown, the chancellor of the exchequer.

Meanwhile Mr Blair's image, as a strong-willed

premier-cum-president, is not supported by all the facts. The toughest decision of this parliament, when to join European Monetary Union, has been postponed until soon after the next general election.

One of his reasons for failing to give effect to his and his party's instinct that sterling should participate in Emu at a relatively early date was fear of alienating the influential Eurosceptic press, notably Rupert Murdoch's Sun newspaper, so early in the electoral cycle.

But for all that, Mr Blair has already set in train huge changes to the UK political landscape in a very short time.

Responsibility for setting interest rates has been passed to the Bank of England. A Scottish parliament will have significant legislative powers and a Welsh assembly will have an important executive role. A mayor of London is likely to emerge as an important national figurehead and there will be significant devolution of powers to Northern Ireland if the settlement is implemented.

So if Mr Blair wanted to set himself up as Napoleon, the supreme source of power in a homogeneous state, he has gone a pretty odd way about it. The man who today appears as the UK's most powerful premier in generations may in a few years' time find himself as just the most powerful baron among the chiefs of Scotland, Wales, London and Northern Ireland.

GOVERNMENT AND BUSINESS 'INTERFERENCE' FEARS UNFOUNDED

Party has a new friend in the City of London

By David Wighton,
Political Correspondent

After last May's landslide election victory for the Labour party, some business leaders remained cautious. Would the party be able to resist the temptation to meddle and to repay its debts to the trade unions?

A year later, it is clear those fears were largely unfounded. Labour has not reversed the transformation of its policies carried out in opposition and in many ways has moved further towards a free market, pro-business position.

For the City of London, one of the biggest concerns last May was what the government would do about the regulation of takeovers. Labour had for years advocated making takeovers more difficult by requiring companies to show they would be in the public interest.

A month after the election, Margaret Beckett, the chief industry minister, dropped the idea. However, the City celebrations were based on concern over her first decisions on the control of mergers.



Against the advice of the Office of Fair Trading, she referred to the Monopolies and Mergers Commission the award of two rail franchises to National Express and the Pacificorp bid for Energy Group - both of which were subsequently cleared.

She also overruled the commission by blocking the proposed brewing merger between Bass and Carlsberg-Tetley.

Mrs Beckett insisted that all the decisions were based on competition considerations or - in the case of Energy - on concerns about

the ability of the UK authorities to regulate the company after a takeover.

The importance of fostering free and fair competition is a constant theme of ministers who feel they should have more credit for introducing a shake-up of competition legislation.

Although Labour has tempered its fondness for "picking winners", that does not mean the government believes in leaving everything to the market.

A senior government member said it would be "perverse" not to recognise that Britain had world-beating companies whose overseas rivals received significant backing from their own governments.

"But our instinct is not to thrust our hand into the taxpayers' pocket," he said.

On some issues Mrs Beckett has found herself lagging behind the pro-business, free-market lead of the prime minister's office. For example, at the insistence of the office, she reined in her enthusiasm for utilities to share "excess profits" with customers.

Philip Stephens, Page 12

Risk of opposition split on EU recedes

The prospect of a schism in the opposition Conservative party at next year's European elections receded yesterday, George Parker writes. Senior pro-EU party members revealed they had dropped plans to run a separate slate of candidates.

The embattled Conservative Left has been assured by William Hague, the party leader, that he does not intend to purge pro-Europeans from the party's candidates list. They were relieved that the list of about 250 approved candidates for the 1999 elections, completed yesterday, strikes a balance between the two wings of the party.

Although the list contains a number of high-profile Eurosceptics including Norman Lamont, a former chancellor of the exchequer, there are also a number of candidates from the Left.

"We are no longer talking about fielding a separate slate," said one pro-European former minister. "The candidates' list has been drawn up very reasonably, and is not weighted one way or another."

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THE ARTS

THEATRE

Visions of forgiveness and humanity

Ian Shuttleworth on a thought-provoking work by Israel Horowitz

Coming so shortly after the reunification of Germany, it is wildly fantastical that even the most guilt-racked Chancellor would - by way of national contrition for the Holocaust - make an unconditional offer of citizenship to six million Jews.

Yet Israel Horowitz's play, set only a few years in the future, is more concerned with truth on a human and community level rather than on a national-political level. *Lebensraum* was inspired by what seemed to Horowitz to be the absence of modern German awareness of Jews as more than an abstraction, and is really as much a *Gedankenexperiment*, or thought experiment, as a piece of theatre.

He examines the assimilation (or otherwise) of individuals and masses of people, the re-encounter of a Shosh survivor with the woman who informed on him, and the guilt, defiance and ignorance not only of

various generations and groupings of Germans, but also of some Jews, by including a group of militant young Israelis. Paradoxically, in the circumstances which Horowitz paints them, both their worst fears and those of the resistant Germans turn out to have some foundation.

The author's own programme notes describe some aspects of the piece as "shabbily theatrical", but he is mocking rather than condemning his work. Inevitably, the human focus of the story is a love-across-the-divide trope (and why, by the way, is the young American immigrant Sam so fond of The Beastie Boys? Why, because Horowitz's son is a Beastie, that's why). These episodes, and the monologue of survivor Maxie Silberstein to his now-paralysed betrayer, are the only scenes to last more than a couple of minutes.

The rest of the 85-minute



Love across the divide: Ian Puleston-Davies and Jerema Shaw in 'Lebensraum'

work consists of sketches linked by narrative, in an attempt to keep us thinking rather than to draw us into affairs on stage. For the same reason, "Brechtian" alienation devices aplenty are employed: props are ranged across shelves

announcements are heard over the sound system, and the audience directly addressed in a coda which proclaims: "This play has no ending...". Even the fact that three actors are called upon to portray so many characters is a way of maintaining our distance.

Jemma Shaw has little to get her teeth into apart from the scenes of teenage romance. Ian Puleston-Davies is a little too ready to play the humour in his characters, and Jack Klaff (as is his wont) always seems slightly more there than the other two, although his tear-

ful Silberstein monologue is a sequence of potent intensity... aided, on the press night, by offstage sound effects from God Himself, as peals of thunder emphasised key points of Maxie's account.

My own supposed aversion to "plays of ideas" was quite

disproved by the volume of notes I discovered I had taken - musings on the issues rather than theatrical cavils. *Lebensraum*, then, works, and works well. One hopes it will work to similar effect in Germany.

At the King's Head, London N1.

Force-fed fantasies of the most mundane kind

Antony Thornicroft is in no hurry to return to the Raymond Revuebar

Now that stripping, at least by unemployed males from the north country, wins prime ministerial approval, it is time to reassess the genuine article, and check on the state of the art at London's most celebrated striptease club, the Raymond Revuebar.

Time and tradition turns most things into national icons and the Revuebar, now celebrating its 40th birthday, has acquired some of the nostalgic charm which surrounded the Windmill Theatre, whose wartime strip shows raised the spirits of beleaguered Londoners. I imagine the Revuebar has a very similar atmosphere to its predecessor - reverential, respectable, controlled. Its surroundings may be in the sordid heart of Soho but, once through the doors, the staff are charming, the decor businesslike, the entertainment professional.

What is totally missing is any element of sleaze, outrage, or surprise. The Revuebar provides exactly what its punters must expect, and if they feel strangely unmoved, then they have forgotten

that sex exists mainly in the imagination. The new show is called *Erotica 2000*, and consists of 10 women and, in a nod towards the real sexual revolution, two men, who perform short routines to deafening music which all lead rapidly to a bare conclusion.

Unseen, marked by a quick look at your watch, starts after about 10 minutes: this is going to be a very predictable evening. The women - Dynasty Sunset, Scorpio Rising, Sugar Kane - come from an identical mould: boyish figures, standard height with smooth athletes' bodies, and garish make-up which turns them all into grinning dolls. Any contact with a real person is impossible: you are force-fed fantasies of the most mundane kind.

There is the wedding-night scenario, with a bolster making up for an absent groom; there is the motorbike allusion; the scene in the lift; the dominatrix - the standard stock in trade of erotica. Sadly the artificiality of the smiles extends to the strips - bodies never touch; flesh is



Striptease: no element of sleaze, outrage or surprise Nigel Harrington

not marked; clothes are seamlessly shed. The routines have all the precision and sensuality of Olympic gymnasts' bar exercises.

Gerard Siml, who has taken over control of the Revuebar from Paul Raymond, and who choreographs the shows, makes a powerful case for the professionalisation of striptease. He does not pretend the show is art.

He celebrates female beauty, putting the perfect human body through its paces. It is indeed a great advertisement for healthy

living, apart perhaps from the men, who have to endure artificial aids to assist their performance.

Arousing - no; erotic - no; disgusting - no. The sex industry has always employed the fig leaf that it celebrates the human body rather than indulges sad lonely men. The Revuebar gives surprising support to the theory. I can wait patiently for the 50th anniversary celebrations, by which time striptease, the most limited of diversions, might have taken another step towards real life, if not art.

SPONSORSHIP BANKING ON ART

Investments on the wall

Why don't more companies buy art? The benefits are considerable: offices have to be decorated; it pleases the workforce; it enables a company to project a positive image and to act like a modern Medici, sponsoring young artists; and, not least, careful buying can prove a profitable investment.

And yet few companies regard a corporate art collection as essential. This is changing slowly. The Contemporary Art Society, which advises and facilitates the acquisition of art, is just furnishing a new corporate headquarters with an important collection.

It is also working again with Unilever, which perhaps best symbolises the effective acquisition of a notable corporate collection. As is often the case, Unilever's involvement was largely triggered by one man, Bob Stenham, but his enthusiasm took hold. Now Unilever has accumulated too much art, and has called in the Contemporary Art Society to advise on future progress. Should it concentrate on fewer but more ambitious purchases? Should it lend more, or even sell?

But the company that has embraced art most wholeheartedly is National Westminster Bank. Once again, a powerful board member, Lord Alexander, played a key role, but he was building on a tradition going back 40 years. Today NatWest owns more than 1,500 works, and has its own full-time curator, Rosemary Harris.

NatWest also underwrites the biggest art prize in the UK, worth £25,000 to the winner, and next month the work of the shortlisted artists goes on show. To fund the Lothbury, the gallery transformed from NatWest's main banking hall in the City, and to finance its buying of about 10 important paintings a year, NatWest last year sold two Old Master paintings for £1.7m.

The paintings had cost NatWest a few thousand pounds in the 1960s and are

Shrewd collecting must surely prove profitable

a good example of the overlooked investment potential in buying art. Helping young British artists seems to be enough incentive for most companies. But shrewd collecting must surely prove profitable. Every year the TI Group buys works by the prize-winning graduates at the Royal College of Art. Already the TI purchases are showing an excellent notional cash return.

Corporate art collecting in the UK still lags behind overseas practice. Companies such as Time-Life, Deutsche Bank and Cartier have really important collections. In April the watch and jewellery world gathered en masse in Geneva for its annual trade fair. Cartier stood out from the rest through its use of striking

contemporary art, borrowed from its Foundation.

There are now about 800 works in store outside Paris, but Cartier also runs, on an annual budget of £2.5m, a major art gallery, part of its Cartier France HQ in Montparnasse, with constantly changing shows of contemporary art. Here again long-term commitment is bearing fruit. Artists in the collection include the young American tyro Matthew Barney, the first winner of the Hugo Boss Prize; and the winner of the Turner Prize, Douglas Gordon. His winning video at the Tate is part of the Cartier collection.

Modern office buildings are not always sympathetic towards hanging art - Credit-Suisse recently donated a 30-metre glass wall by Bruce McLean to Wolverhampton Art Gallery because of space problems - but increasingly new headquarters have art built into them. As environmental issues grow in importance so will the liberating influence of art.

Corporate art can cause problems, mainly the objections of philistine directors, but advice on buying and curating a collection is easily available, from the Contemporary Art Society and myriad private art investment companies, and for a few thousand pounds a year, a company can enliven its working environment, and pass on to the next generation an excellent investment.

A.T.

POP TORI AMOS

Songs with a bit of bottom

From the opening bars of *From the Choirgirl Hotel* (EastWest), this singer-songwriter of formidable musical intelligence and quirky judgment (her last album famously pictured her sucking a baby pig) makes her intentions clear.

First, there is the sound: in announcing she is "done with the girl-and-piano bit", Amos has decided to tighten up rhythmically, and given her characteristically ethereal songs some serious bottom. This is immediately apparent in the tumbling cadences of the current single "Spark", and later on the album, the dark, percussive "leee".

Literally, too, she wastes no time in referring, in more orthodox girl-and-piano mode, to the most recent dramatic event of her life, a miscarriage she suffered at the end of her last tour: "She's convinced she could hold back a glacier, but she couldn't keep Baby alive". But that is not to imply a downbeat tone for the remainder of the album. There is a rich, sensual quality to the album's best songs - the typically obscure "Liquid Diamonds" - which hints at an exciting change of direction.

It is no more than a hint, however. It might seem unfair on a performer who has an undoubtedly original talent, but one is left longing for more experimentation, still more surprises. The bluesy drive of "She's Your Coccaine" falls a little flat, and the closing "Pandora's Aquarium" is too close to wilful eccentricity.

Still, there is some strikingly secure singing among the breathy whoops, most notably on the Joni Mitchell-ish "Northern Lad", and some delicious sounds scattered throughout the album - the confluence of synthesiser and Al Perkins's pedal steel guitar on the confessional "Playboy Mommy" is a delight.

If I were to pick two sounds from the opposite ends of the musical spectrum to create an amusing sample-based hit, I'm not sure I could do better than Public Enemy and Buffalo Springfield. But someone has beaten me to it.

The rap band's first studio album for four years, the soundtrack of Spike Lee's forthcoming *The G-String* (Mercury), contains the usual swirl of troubling sounds and chaotic images, in the middle of which pops up Stephen Stills's classic peacenik anthem, "For What It's Worth", which raises an initial chuckle but soon runs out of steam.

It is a patchy album, over-familiar and curiously dated, although the stand-out track, "House of the Rising Son", contains plenty of the furious energy which places the group a cut above its imitators.

Peter Aspden

INTERNATIONAL

Arts Guide

AMSTERDAM

CONCERTS
Concertgebouw
Tel: 31-20-675 4411
● London Symphony Orchestra: conducted by Michael Tilson Thomas in works by Bernstein and Copland; May 2
● London Symphony Orchestra: conducted by Michael Tilson Thomas in works by Bernstein, Ives, Mahler and Strauss; May 3

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Tosca: by Puccini. New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. The conductor is Riccardo Chailly; May 6

BARCELONA
EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
1989, Fin de Siècle Spair: Daily Life. Historical exhibition designed to reconstruct a picture of life in Spain at the end of the last

century. Painting is its mainstay - also included are books and newspapers; from today until Jul 1

BERLIN
DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; May 1

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Parsifal: by Wagner. New production conducted by Christian Thielemann in a staging by Götz Friedrich; May 3

CHICAGO
CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Pierre Boulez in works by Ravel, Ligeti, Messiaen and Roussel. With piano soloist Pierre-Laurent Aimard; May 1, 2, 5

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
● Italian Baroque Terracotta from the Hermitage Collection: 35 works never before seen in the US, including pieces by Bernini and Algardi; ends on Sunday
● Japan 2000: Architecture for the Japanese Public. Includes: drawings, models and photographs of 15 public buildings, including

museums, dams and bridges; Kisho Kurokawa Gallery; ends on Sunday

FLORENCE
OPERA
Maggia Musicale Fiorentino
Tel: 39-55-211158
www.maggiamusicalefiorentino.com
Lady Macbeth of Mtsensk: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; May 2

FORT WORTH
EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Ancient Gold: The Wealth of the Thracians. 200 pieces of gold and silver including weapons, rings, necklaces and ornaments, from the Republic of Bulgaria. Metalwork is the principal archaeological legacy of the Thracian people, who occupied most of central Europe from the 4th millennium B.C. until the 4th century A.D.; to Jul 19

GLASGOW
EXHIBITION
Art Gallery and Museum, Kelvingrove
Tel: 44-141-287 2000
Scrolls from the Dead Sea: discovered in caves above the Dead Sea between 1947 and 1956, these manuscripts have been the subject of intense controversy ever since. Here they will be shown alongside objects including the jars in which they were found; from

today until Aug 30

HELSINKI
OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Elinor Glaser, designed by Peter Tillberg. Conducted by Mikko Franck; May 2

KORIYAMA
EXHIBITIONS
Koriyama City Museum of Art
Tel: 81-249-56 2200
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of his tragically early death, aged 25, and arrives at the V&A in October, after touring in Japan; ends on Tuesday

LAUSANNE
OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1600
Il Matrimonio segreto: by Cimarosa. Conducted by Jonathon Darlington in a staging by Alain Mercet. Cast includes Alison Hagley; May 3, 5

LISBON
CONCERTS
100 Days Festival, Expo '98
Portuguese Symphony Orchestra: programme of 20th century works; Main Auditorium, Centro Cultural

de Belém; May 6

LONDON
CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● London Philharmonic Orchestra: conducted by Mark Wigglesworth in works by Webern, Brahms and Shostakovich. With violin soloist Joshua Bell; May 3
● The Royal Opera: Parsifal, by Wagner. Concert performance, conducted by Bernard Haitink. The title role is sung by Plácido Domingo; May 1

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Anish Kapoor: one of a generation of British artists who came to prominence in the 1980s, Kapoor creates sculptures using stone, steel, and mirrored metal. This first major showing of his work in a public gallery in Britain includes new stone pieces; to Jun 14

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
La Bohème: by Puccini. Steven Pinnott's production is revived by Barry Atkinson and Frances Moore,

and conducted by Alex Ingram; May 1

MUNICH
CONCERTS
Philharmonie Gasteig
Tel: 49-89-5487 8181
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mahler and Larsson; May 5
● Munich Philharmonic Orchestra: conducted by Heinrich Klug in works by Ginastera and Milhaud; May 3

EXHIBITIONS
Haus der Kunst
Tel: 49-89-211270
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Journey into the Unknown. Selection of 130 paintings, collages and sketches; ends on Sunday

NEW YORK
CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Leonard Slatkin in works by Carter, Mahler and Suk. With baritone Dmitri Hvorostovsky; Avery Fisher Hall; May 1

PARIS
CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Jerzy Semkow in works by Mozart, Wagner and Tchaikovsky. With mezzo-soprano

Jard van Nes; May 6

TOKYO
DANCE
Bunkamura
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COMMENT & ANALYSIS



PHILIP STEPHENS

Beneath the hubbub

The economy may unsettle the government but Europe and electoral reform promise to reshape Britain's political landscape

Enough of anniversaries. The economy will now begin to set the rhythm of Tony Blair's administration. Those dry statistics that seem so blissfully irrelevant when life is going swimmingly will again cast a pall over the front pages. Didn't we first read the runes of Margaret Thatcher's demise in the trade figures? And yet beneath the familiar hubbub of politics two other issues - Europe and electoral reform - promise to reshape the nation's future.

It will be intriguing to watch Mr Blair govern in adversity. Here is a politician accustomed to commanding the agenda. But he is no wiser than the rest of us as to the likely severity of the impending economic downturn. When the Treasury's mandarins last filed into 10 Downing Street, they came clutching all manner of charts and graphs. Impressive, thought Mr Blair - until he asked what conclusion he might draw? Keep your fingers crossed came the reply.

The prime minister seems to expect what you might call a bumpy rather than a hard landing. The pace of economic growth will slow abruptly, sure enough. Unemployment will probably rise. The cries from manufacturing industry about the unsustainable level of the pound will grow louder. But it will be a downturn rather than a recession, a political jolt rather than a calamity.

To my mind the risks are on the downside. Sterling's steep appreciation is doing serious damage to manufacturing. The grim news this week from the Confederation of British Industry's latest trends survey has debunked the silly notion that, by some miracle, exporters can now

live with a vastly overvalued currency. The anecdotal evidence also tells us that the pace of growth in consumer spending has been still stronger than the official figures allow. The Treasury's countervailing tightening of fiscal policy is likely to turn out in retrospect to have been correspondingly less severe. That is precisely what happened in 1988. Mr Blair would be wise to be sparing in his promises to banish the curse of boom and bust.

This is a debate, though, that time will settle soon enough. More interesting is the ground on which Mr Blair has a chance to shape events. The economy may unsettle the government for a year or two but, with the Conservatives in their present catatonic condition, even a recession would be a manageable setback. It is the prime minister's choices on Europe and the voting system for the House of Commons which will interest historians.

This weekend in Brussels Mr Blair plays umpire at the launch of the euro. It will be an uncomfortable experience. Sure, he has been asked to act as honest broker in the unseemly dispute over who should head the single currency's new central bank. But there is no escape from the irony that the most politically powerful of the European Union's leaders now stands on its sidelines.

The reality of Euroland does something else. It reminds us that Mr Blair's attempt last autumn to neutralise the issue in Britain's domestic politics was always doomed. Gordon Brown, the chancellor, may have declared sterling safe until after an election. But keeping open the option of

participation in the next parliament demands more than Mr Brown's preparatory committees and changeover plans.

If it is serious in its intent, the government will have to become a persuader for the project. Mr Brown seems to grasp this. His speeches have become more robust in their commitment to the principle of British membership. That decision, he declares, has been taken. The question is one purely of economic circumstance. His eye is on an election early in 2001 and a referendum a few months later.

The prime minister is altogether more circumspect in his public utterances. He talks about it as well as when. He is almost as cautious in private. This is a subject about which he self-consciously weighs every word with extreme care. The tactics of bringing public opinion round to the venture cannot be disentangled from the strategic objective.

But what is that objective? There are many who say the prime minister is instinctively less enthusiastic than his chancellor. He has been heard to remark that politics cannot be allowed to overrule economics. John Major made that mistake in joining the exchange rate mechanism at the wrong time and the wrong rate.

My sense, though, is that the differences between prime minister and chancellor are essentially tactical. Assuming the euro works, they would both join as soon as economics allows. What I think the prime minister lacks is an appreciation of the dynamics. He sees a pivotal role for Britain in the coming upheaval of the Union's institutions to

prepare for enlargement to the east. He does not seem attuned, though, to the speed with which the creation of Euroland will reshape the politics of the continent. And Britain's option to join the single currency comes with conditions attached.

Mr Blair displays the same cautious opacity on the other big issue of the coming year. An independent commission is to report in the autumn on an alternative to the present first-past-the-post voting system for the House of Commons. It seems likely to recommend a preferential voting system known as Alternative Vote - with some modification to produce a more proportional outcome. A referendum is then promised.

We know that Mr Blair's central ambition in politics is to establish the permanent ascendancy of the centre-left in British politics. For all his occasional irritation with the Liberal Democrats he still sees it as goal worth pursuing. A proportional voting system is the obvious route. And yet all we have heard so far is that the prime minister is unconvinced of the case.

I suspect that, as with the euro, the reticence is essentially tactical. The outcome of a plebiscite on voting reform is uncertain. Mr Blair does not want to argue for change until he is sure the case would be won. And there are voices around him which speak passionately against a proportional system which would deny him his present unchecked authority. For the moment Mr Blair is content to let the debate rumble in the strong sense, though, that, as with Emu, his instincts run against the status quo.

Here the two issues connect. To persuade the nation to join the euro, Mr Blair will need to forge an alliance across traditional political divides. Electoral reform would be tangible evidence of a more permanent commitment to the inclusive politics of the centre. It would also shut out the right from power for a generation. Mr Blair has told us he wants to remake Britain's political landscape. Now he has the chance.

LETTERS TO THE EDITOR

Political will of voters not to be underestimated

From Mr James Barr, Sir, Wolfgang Münchau, in his final Preparing for Emu column ("Now it's time to live with the euro", April 28), concludes that "the sceptics, having underestimated the political will behind the launch of Emu, may end up underestimating the political will to hold it together". Some may underestimate this political will, but no one should underestimate the political will of Europe's electorate to vote against

measures they dislike or simply against the status quo.

At the moment that status quo involves high unemployment and tough restrictions on public spending, both of which are widely acknowledged as side-effects of the quest for economic and monetary union. Mr Münchau himself suggests that Emu may lead to an initial rise in unemployment. It is questionable how politicians in the impending German elec-

tions will explain away this rise to the increasingly disillusioned voters in regions such as Saxony-Anhalt, profiled on the same day.

Protest voting, often with an anti-European tinge, colours the political landscape of Germany. France and Austria increasingly. Politicians' ability to exert their political will depends on their mandate. Their natural search for power has led in France to some worrying alliances. While the "politi-

cal will" for Emu undoubtedly remains, it is becoming unclear whether the popular mandate for economically painful measures will continue to endow it with a convincing majority in Europe's proportionally represented assemblies.

James Barr, head of research, The European Foundation, Research Unit, 61 Pall Mall, London SW1Y 5HZ, UK

Shares: a 'surprising result' confirmed

From Mr Andrew Mills, Sir, We are pleased to support one of the "most surprising results" of your survey ("Shares in the action", April 27) that the City is essentially long term.

Research sponsored by us has established that, on average, major institutional investors maintain core shareholdings for eight and a quarter years.

Our recent survey, Invest-

ment Relations in the UK, has also identified that directors can expect the demands on their time to increase, with fund managers expressing a desire for greater contact with senior management.

The listing requirements of the London Stock Exchange are surely the best way to regulate compliance with the Hampel combined code of corporate governance, but a way must be

found to encourage institutions to play their part without each having conflicting requirements of companies.

An effective, practical solution to this problem is needed to avoid government legislation.

Andrew Mills, chairman, Investor Relations Society, 1 Bedford Street, London WC2E 9BD, UK

Curry that's not on the menu for Tullow Oil

From Mr Aidan J. Heavey, Sir, I strongly object to the statement made concerning Tullow Oil in "Oilmen fear Bangladesh politics may cloud development of natural gas riches" (April 27), and to the clear implication that Tullow's "leapfrogging" of the leading oil companies in the bidding process, as your correspondents Robert Corzine and Mark Nicholson put it, was due to currying political favour. This was most emphatically not the case.

While Tullow's executives have not been known to refuse any curried dish in Bangladesh, political favour is not on our menu! The recent Bangladesh petroleum licensing round was conducted to the highest

industry standards, and the bids opened and evaluated under the supervision of Arthur Andersen. The companies (including Tullow) that submitted the best commercial terms for each of the blocks on offer, in accordance with the bidding parameters, were called for further negotiations and the terms finalised.

The government of Bangladesh has always maintained that the bidding round would be fully transparent and has not commented on the frenzied press speculation in Bangladesh and elsewhere. However, as a result of external political pressure, it has delayed announcing the awards.

Such external political pressure on the government

of Bangladesh has not been to ensure transparency, as stated in your article, but rather to persuade it to revise the bidding process retrospectively so as to favour certain companies.

The government of Bangladesh has so far been able to resist such pressures and remains faithful to the transparency and integrity of the bidding process. It is in the longer-term interests of Bangladesh that it continues to do so.

Aidan J. Heavey, chief executive, Tullow Oil, Airfield House, Airfield Park, Donnybrook, Dublin 4, Ireland

Wake up - and say 'no' to everything

From Mr John V. Woodman, Sir, I used to be a private sleepy shareholder (Lex April 27) who left it to the chairman to fill in my voting card.

Now I make my weight felt by always voting against everything. When the institutional shareholders make a fuss, they must be pleased to have my support. When all is well, my objections carry no weight.

John V. Woodman, Foresters, Sway Road, Lymington, Hampshire SO41 8LR, UK

Fête? There's no comparison

From Mr R. A. Ledingham, Sir, Your leader entitled "Own goals" (April 24) likened the organisation of this summer's World Cup to that of a village fête.

That comparison is grossly unfair and is a gratuitous slur on the organisers of village fêtes.

R. A. Ledingham, The Old Hat, Preston Bissett, Bucks MK16 4LN, UK

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PERSONAL VIEW PADMA DESAI

India's false alarms

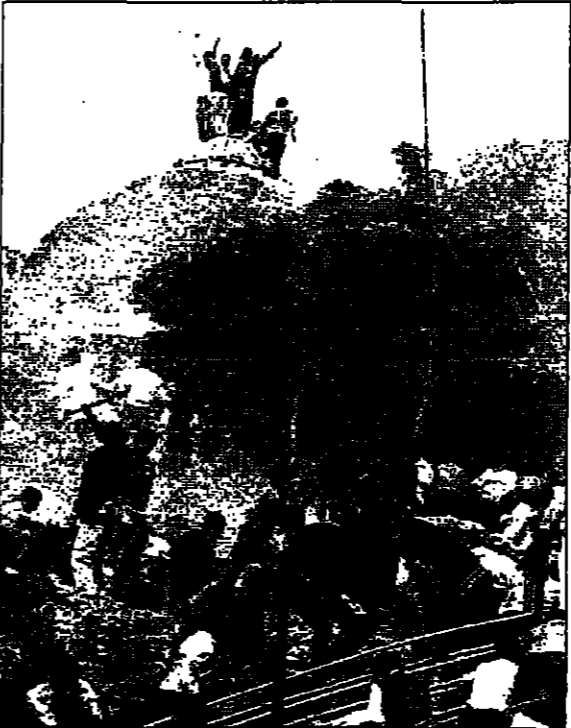
The BJP's recent electoral victory has raised worries about the economy, Moslems, nuclear weapons and political chaos. But such fears are overdone

The world's largest democracy has come through its latest test. Last month, after a remarkably smooth electoral process, a new Indian government was sworn in. But the narrow victory of the Bharatiya Janata party, the "Indian people's party", raises some alarming questions.

Does the BJP's campaign slogan of *swadeshi* ("cultural nationalism") mean that India's economic reforms, based on progressive insertion into the global system, will be halted or even reversed? Will the BJP's Hindu activists turn out to be a hard core driving anti-Moslem agendas, or be reduced to a lunatic fringe in policymaking? Will India become openly nuclear? Is the fragile 20-party coalition headed by the BJP confirmation of India's descent into alliance-based politics and therefore into political chaos? These fears are not fantasies. But, in each case, it is reasonable to be optimistic.

Swadeshi, and the associated assertions that "India is for Indians", are sentiments that hark back to the days of the independence movement. Indeed, *swadeshi* was a cultural artefact that helped mobilise the masses in Mahatma Gandhi's non-violent insurrection against British rule. In the same vein, it is not a call to arms for specific economic policies but rather an outcry against the fact that India, after half a century of independence, has lost its international status and its war on national poverty. Both can be blamed largely on its abysmal economic record.

That immense economic failure was caused not because *swadeshi* turned India inward but because the Indian elite chose socialist notions for running the economy. It was Jawaharlal Nehru, educated in Fabian socialist ideas at Cambridge, not Mahatma Gandhi with his ideas about India's self-sufficient villages, who governed India. Absurdly high protection for domestic industry and stiff restrictions on inflows of direct equity investment were



Extreme action: Hindus storm the Ayodhya mosque, 1992 Reuters

inherited by the reformist Congress government of P.V. Narasimha Rao, former prime minister, which began to reverse this self-imposed, crippling exile from the world economy in the summer of 1991.

The BJP's constituencies consist of an assortment of shopkeepers, *sadhus* (holy men) and stockbrokers; its coalition partners are mostly

would disrupt the coalition whose primary need will be to survive. Besides, the BJP cannot be unaware that its voter support had risen steadily to 20 per cent as long as it played the Hindu revivalist card. When it was perceived as having overplayed its hand with the destruction of the Babri Masjid mosque at Ayodhya, the vote got stuck there.

Nothing works so magically in moderating the extremism of a political party as getting closer to power

regional parties. None of these groups has an obvious stake in economic nationalism. Indeed, they are free from the ideological baggage that, coming from the left, decimated India's economic performance. Paradoxically, the BJP-led government may be able to move rapidly on India's next phase of reforms.

The chances of the BJP indulging in Moslem-baiting are also slim. Such action

Nothing works so magically in moderating the extremism of a political party as getting closer to power: extremism may get you started but you cannot finish with 'The BJP has shelved its plan to build a Hindu temple at Ayodhya. It has also postponed plans to introduce a uniform civil code for all, including Moslems. True, a uniform code that extends modern rights such as the elimination of

polygamy and the payment of alimony to all Indians is an idea that makes good sense. But it is increasingly appreciated that Moslem leaders must initiate such reforms or else the idea would appear as an invasion of Moslem traditional rights.

The option to go public with nuclear capability was a good election sound bite. But India has managed pretty well, as has Israel, in acquiring unacknowledged capability. Here, the "don't ask and don't tell" policy is clearly the smart choice. Even if Indian policymakers believe the nuclear powers have no business telling the non-nuclear powers to remain so, the fact is that India would hurt itself by acting openly on this position. The forces of civil society are arrayed against non-proliferation and, as Bill Clinton, the US president, discovered on the landmines treaty, you take them on at your peril. So the BJP has sheathed its nuclear sword.

India's political future remains the most troubling question. There have been successive coalition governments since 1991. There have been two elections in less than two years; and another one might soon be precipitated. On the other hand, an equally likely scenario is that of India's evolution to a stable two-party system. The BJP has come so close this time to becoming a party with a simple majority of seats in the lower house that it can be expected to mount efforts to broaden its appeal.

Equally, the Congress party has seen its declining fortunes arrested under Sonia Gandhi's leadership. If the window of opportunity she has provided is seized upon to rejuvenate the party with a reformist agenda and grassroots organisation, Congress can once more become a party to contend with. So India may wind up with two dominant parties, the Congress and the BJP, much like the Democrats and the Republicans. Political stability would then be more than just a dream.

The author is the Harriman professor of economics at Columbia University

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COMMENT & ANALYSIS

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Friday May 1 1998

Europe's leap of faith

Sometimes a "historic event" really is historic. The European Union summit this weekend, which will agree the initial membership of economic and monetary union, fits that category. From the moment this decision is taken, the euro will come into existence in shadow form, in anticipation of the formal launch in January 1999. The euro era will have begun.

There have been common currency areas before in Europe – the Scandinavian crown, the Latin monetary union, the Anglo-Irish pound. But this single currency is more significant, for two reasons.

As the climax of a determined attempt to break down the barriers between the member countries of the European Union, it marks a decisive step forward in the integration of the region's economies. And it comes at the end of a process of convergence, mandated by the Maastricht treaty and the German-inspired Stability and Growth pact, which has transformed the fiscal policies of EU members.

The prize that lies ahead for Europe is a tempting one. If the euro lives up to its potential, the economies of member countries will benefit greatly. The single currency will deliver a big fillip to cross-border investment and trade – not least because it is hard to see how a sustainable, truly open, single market could in practice co-exist with free-floating exchange rates. The political tensions that arose after the devaluations of 1982-93 illustrate that vividly.

There will be greater competition, more efficiency and better deals for the consumer. Price transparency will exert powerful downward pressure on costs. And those economies that have had unpredictable inflation rates, such as Italy and Spain, will permanently shift to a new era of low and stable inflation, a clear gain to savers and to industry.

The euro will serve as a – sometimes painful – catalyst for structural reform. Member states have achieved impressive reductions in public deficits through the Maastricht process, but they have been slow to tackle structural reforms in labour markets and public sector. Euro will prod them to face up to such issues.

Genteel decline

One other, intangible benefit is the contribution the euro will make to European self-confidence. If all goes well, the single currency will serve as an antidote to the region's genteel decline. At least the completion of the project should allow European leaders to turn their attention back to the outside world, after a decade of introspection.

If all goes well, the politicians meeting in Brussels this weekend should spend only a moment congratulating themselves on the benefits they are unleashing, before going on to contemplate

how best to minimise the risks. Of these, the greatest is the gulf of economic culture between the core members of Emu, France and Germany. Both sides believe they have made huge concessions to get Emu started and are unwilling to do more, as the dispute over who should be the first head of the European Central Bank illustrates.

The Germans want a system which puts much decision-making outside politics, through an independent central bank and an automatic set of fines for fiscal excess. The French, only recent converts to the idea of an independent central bank, want it to have a serious political counterweight, probably in the form of the Euro-X committee, with a more explicit commitment to employment and growth. At some point this issue will come to a head: the future success of the euro largely depends on how it is resolved.

Do-nothing policies

The French are right about the threat that unemployment poses to the public acceptance of Emu. The solution, however, is one they will find unpalatable – rapid and sweeping structural reform. If, instead, political leaders stick to do-nothing policies and unemployment remains stubbornly high, there could be pressure to reflate, to let budget discipline go or to create an elaborate system of pan-European fiscal transfers. Any of these could lead to a gradual unravelling of Emu and threaten the broader Union if it damages relations with Germany.

But politicians should be careful not to put too much weight on Emu in arguing the case for reform. They must make the case that it would be essential even without a single currency. Unless they make this argument forcefully, the grudging public support for Emu could be rapidly eroded.

The challenge Europe faces is clear: to make the introduction of the euro merely the beginning of a process of structural reform and political legitimisation. Clear signs of economic recovery in continental Europe are reasons to accelerate this process, not an excuse to postpone it.

At this weekend's meeting, 11 countries will set out on a daring voyage into the unknown. To minimise the risks and maximise the benefits, they must view the euro's future with the same audacity that led them to embark on the project a decade ago. It will not work if member states behave as if the system was intended to promote purely national views. What is needed is more flexibility from Germany; less national *amour-propre* from France; a sense of common purpose from all.

Emu will transform Europe. Whether it transforms Europe for the better depends on how boldly the continent's leaders, businesses and citizens seize the opportunities it presents.

After Tiananmen

If there was still any room for doubt about the sea change in US-China relations, it should have been removed by this week's hint that the US might consider removing some of the sanctions in place since the Tiananmen Square massacre. When President Bill Clinton visits Beijing in June, the focus will be firmly on the future, not the past, according to Madeleine Albright, his Secretary of State.

This improved relationship must be welcomed by the broader world, as it means a reduction in security risks. But it also raises the question of whether the US and other western governments are being taken in by an improvement in China's record on human rights more apparent than real.

The release from prison, and then prompt exile, of prominent dissidents such as Wei Jingsheng and Wang Dan may yet turn out to be a cynical ruse to curry favour with Washington in advance of Mr Clinton's visit. Once the dissidents are out of the country, they can freely at the dinner tables of liberal intellectuals, but their utterances have little impact back home. Meanwhile, China continues to detain large numbers of other dissidents in labour camps. Controversy also remains over its repression of dissent in Tibet.

Yet there are signs of deeper change. Fifteen months after the death of Deng Xiaoping, President Jiang Zemin is now more secure at the top. Since the confirmation of the new government by the recent National People's Congress, state leaders have felt able to permit a much greater

degree of public debate.

Even this may be an opportunistic attempt to encourage voices in support of (and counter conservative opposition to) the market-oriented economic reforms planned by Zhu Rongji, the prime minister. But it seems also to reflect a realisation that economic reform requires greater recognition of the rule of law and less political interference in the workings of the economy. From there it is a short step to insisting that officials be more accountable in all respects, including civil rights.

Insofar as this is a trend, then it is right for the US and other governments to respond. China needs to be drawn further into the international community – not only to help with collective solutions to the Asian economic crisis, but also to deepen its involvement in security issues such as combatting missile proliferation.

China may be encouraged on human rights if the west responds by bringing its leaders more into the international fold. But neither Washington nor Beijing should be under any illusion about the possibility of sustaining a better relationship if there is backtracking on human rights. The coming period of economic reform may well precipitate social disturbances, inviting renewed public repression.

This would clearly be a tragic mistake. China's economic reforms are inevitably loosening the state's political control. Beijing's response, as Mrs Albright stressed yesterday, should be to strengthen the rule of law.



Birth of the euro

The architects of the euro have never left any doubt that the single currency is more than a matter of money.

Jacques Delors, Helmut Kohl, and the late François Mitterrand have all paid lip service to the economic benefits of monetary union. But each has suggested that the political consequences would be momentous.

Chancellor Kohl sees the euro as a means of laying to rest the demons of nationalism and binding a united Germany of 80m people irreversibly into a united Europe. In Brussels, where the mood is euphoric ahead of tomorrow's European Union summit announcing the 11 founder members of the euro zone, the expectation is that Emu will deliver a psychological boost to Europe's aspirations to play a greater role on the world stage. "Whenever people talk about the dollar, they will also talk about the euro," says Erkki Liikanen, the Finnish commissioner. "Europe and the US will be spoken about in the same breath."

Yet behind these aspirations the current reality is much less clear-cut. The EU is pushing ahead with a supranational independent central bank without a broader political union. But the imbalance between the carefully crafted blueprint for the operation of the ECB and the fuzzy division of power between national parliaments and remote institutions such as the European Commission and the European Parliament is striking. So is the fact that responsibility for core economic policy questions such as taxation remains in the hands of national governments.

Two questions arise. Is the muddled status quo sustainable? Or are critics – both Euro-enthusiast and Euro-sceptical – right when they argue that a political union is the logical development needed to establish the democratic legitimacy of the single currency? In other words, will Emu prove to be a catalyst for deeper political integration in Europe, complementing the acceleration of economic integration most predictably to occur after the launch of the euro on January 1 1999?

One way of looking at European integration is to imagine a medieval cathedral-in-the-making. The 1957 Treaty of Rome established the foundations. The 1986 Single European Act, the 1992 Maastricht treaty and the 1997 Amsterdam treaty supplied the altar and buttresses. Now that the single currency has provided the four walls, all that is lacking is a vault.

In the past, France and Germany have acted as lead architects. Maastricht marked a watershed for the first time. Europe's leaders entered areas such as money, defence and foreign policy where others had feared to tread. They even dared to give the European Community a new name: the European Union.

A backlash followed, prompting Europe's leaders to become more wary of offending public opinion. Mr Kohl has stopped talking about "the United States of Europe", inside the Commission, no one dares utter the term "federalism" or "political union". Last week's parliamentary debate in France underlined how sections of the left and right cling to their hostility to greater European integration. Jacques Chirac, the French president, could not

In the beginning...

Tomorrow Europe's leaders meet to launch the single currency. Lionel Barber asks whether monetary union will lead to political union



persuade his own Gaullist party to vote for Emu. Much to the disgust of pro-Euroists such as Alain Juppé, former prime minister, the Gaullists argued that a yes vote would register a vote of confidence in the Socialist-led government. The rise of the far-right National Front – which is virulently anti-European – and picking up support among France's disaffected, unemployed youth – has stirred up nationalist members among the Gaullists.

In Germany, Mr Kohl won a resounding parliamentary vote of confidence in the euro. But the German public is nervous about surrendering the D-Mark. And the Bundesbank remains sceptical about an Emu project that includes high-debt economies such as Italy and Belgium without binding political commitments to fiscal discipline.

If Mr Kohl fails to win an unprecedented fifth term in the September general election – a real possibility – Europe will lose the driving force behind deeper political integration. So an early test will be whether Euro-building can continue independent of personalities.

The first area to watch will be economic policy. The 11 members of the single currency zone are planning to intensify co-operation inside the new Euro-X forum

for finance ministers which, in time, could evolve into a political counterweight to the European central bank.

Ministers will not only apply the provisions of the German-designed Stability Pact to enforce fiscal discipline among euro zone members. The French government is pressing hard for much closer co-ordination of macro-economic policy. The aim is to align policies so that countries' economic cycles are more in tune. This would apply to individual countries but could also apply to Europe as a whole.

The EU is also extending the Maastricht process of "peer review" which helped countries reduce their public deficits. Employment policy is one area. Even Britain, which is staying out of Emu, is going along with this, if only because its record on unemployment is a strong card to play in Europe. In all these ways, the co-ordination of fiscal policies could add to pressures for more political co-ordination.

So, possibly, might pressure to "complete the single market" by increasing the collective approach in certain areas. Taxation is one. EU governments agreed last December to a voluntary code of conduct restricting "unfair" tax competition. The Commission is also bringing

forward draft legislation. But whether Emu will actually stoke pressures for tax harmonisation remains unclear. Yves Thiebaut de Silguy, EU monetary affairs commissioner, argues that border regions in the euro zone will be comfortable with high differentials in, say, value-added tax. Dutch and Irish officials argue that a dose of tax competition is vital to maintaining flexibility in a single currency zone, especially with a tight monetary and fiscal policy and without the safety valve of the exchange rate.

So Economic and Monetary Europe does not by definition add to up to Political Europe. Member states still regard certain areas as off-limits for the Union or the European Commission – particularly when it comes to defending entrenched privileges in international forums such as the Group of Seven industrialised countries. Thus, the UK and Germany are resisting the Commission's efforts to insert itself formally into the G7. Officials say it is vital to maximise Europe's united economic weight in the world. And the euro will, in some sense, make the G7 into the G3. But the pressure for greater political union that will come from international diplomacy is likely to be gradual. "Member states will have to adjust their behav-

iour," says one official, shaking his head in resignation, "but it will take time."

In the area of foreign policy, the picture of 15 member states marching in lock-step would be the exception to the rule. Britain and France often behave like 19th-century colonial powers. The four "neutral" member states – Austria, Finland, Ireland, Sweden – are by definition second-tier players.

The institutional apparatus is creaking, too. The General Affairs council – the once dominant decision-making forum in Brussels attended by foreign ministers – is in terminal decline compared with the up-and-coming Ecofin council of finance ministers. "The whole process is a shambles," says a senior EU diplomat.

One theory in Brussels is that EU leaders will become so disaffected with the preponderant power of the finance ministers that they will dispatch their own vice-premiers to Brussels to take charge of foreign policy. President Mitterrand floated the idea of a permanent high-level presence in a joint Franco-German initiative in late 1993, but the idea foundered on opposition from Mr Delors, former EU president, who worried that the Commission would be the big loser. Other member states feared the creation of a new French-dominated power centre in Brussels or, even worse, a quasi-federal government.

In Brussels the view is that the institutional status quo will hold – but not for long. And here, the single currency is not the only force for change. At least as important is the Union's longer-term plan to enlarge membership to the former communist countries of central and eastern Europe. The target date for the first new members is 2002-03. This may be ambitious, because front-rank candidates such as Poland face massive adjustments to comply with the demands of the single market. The 15 EU member states must also first reform the Common Agricultural Policy and produce a new budget deal to cope with the costs of expansion.

In the past, enlargement has forced the Union to adapt its institutions and decision-making through lengthy constitutional conventions known as inter-governmental conferences or IGCs. Thus, the accession of Britain, Ireland and Denmark in the early 1970s was followed by an extension of majority voting and a dilution of the national veto in the mid-1980s. Maastricht extended the process, but Amsterdam marked a holding operation – with the exception of closer co-operation on internal, justice and immigration issues.

Most insiders do not expect another all-embracing IGC ahead of the first wave of eastern enlargement. This implies a short, sharp conference, most likely next year, which would marginally extend majority voting, reduce the size of the European Commission and change the balance of voting between small and large countries.

In short, the process of Euro-building will continue after the launch of the single currency, but perhaps in a more improvised and flexible manner than in the past. The euro will have political consequences, but they will take time to work through and they will entail a sharper division of responsibilities between nation states and Brussels. None of this amounts to the creation of a federal super-state.

OBSERVER

Heavy dates

The intriguing possibility of US President Bill Clinton and Cuban President Fidel Castro running into each other beckons later this month at World Trade Organisation celebrations in Geneva of the 50th anniversary of the multilateral trading system.

Castro has been invited by the World Health Organisation to address its annual meeting on May 14 in the Swiss city, just five days before the WTO's 50th anniversary bash.

He hasn't said he'll come, but 20 rooms have been reserved for the Cuban delegation at Geneva's Intercontinental Hotel – including the "Che Guevara" suite where Cuba's then economics minister stayed in 1964.

Canadian premier Jean Chrétien is going to the WTO party, and said after his recent visit to Cuba that he might see the cigar-puffing Cuban chief in Geneva.

In any case, it would be highly appropriate for Castro to drop in: Havana was the venue, half a century ago, for the first conference of the WTO's forerunner, the General Agreement on Tariffs and Trade.

Clinton has not yet confirmed whether he will show up – but his wife Hillary is expected at the WH-40 ballfest, and 100 rooms are reserved at the Intercontinental. Even if Bill does put in an appearance, he won't be staying

the night – his entourage is too much for Geneva to accommodate, especially as the World Congress on Heart Failure is also in town at the same time. A few medics might come in handy if Castro does bump into one of Uncle Sam's First Family.

Koseff's kingdom

It has been a long journey for Stephen Koseff, chief executive of Investec and one-time South African Jewish Businessman of the Year, from his schooldays in the less-than-exotic Johannesburg suburb of Benoni to yesterday's purchase of Hambros, the once-great City of London merchant bank.

Investec has grown from eight employees in 1980 to 2,600 today, but under the energetic, engaging and sports-mad 46-year-old Koseff and London-based Bernard Kantor, it remains a relaxed organisation devoid of old-fashioned hierarchies.

The Investec boss has proved a successful dealmaker, though he was bitterly disappointed by the failure this year of the "black empowerment" buy-out of mining group JCI from Anglo American; he helped to finance and arrange it.

While he persuades international investors that he hasn't bitten off more than he can chew, pity Tim Guinness and Howard Flight, who set up the Guinness Flight Hambros fund management group with two equally balanced outside investors – Guinness Mahon and Hambros.

When Investec bought Guinness Mahon, Guinness was wired and died in Johannesburg. But he wanted nothing to do with the South Africans – and still doesn't, even though their purchase of Hambros means they have 88.5 per cent of his company.

Flight has another job – he's an MP – but Guinness may have to choose between eating his words and walking the gangplank.

Power plant

It isn't just Anatoly Chubais who is relieved at bagging the top job at Russia's power company Unified Energy Systems. A bit of over-enthusiastic spin-doctoring meant it would have been very embarrassing if he had missed out.

The Russians remain masters of political spin, perhaps a legacy of those days when Soviet propagandists could fit the most inconvenient facts into the official communist line.

Barely had the ink dried on President Boris Yeltsin's cabinet reshuffle decree than Kremlin courtiers were falling over themselves to pretend that they'd had it in mind all along, even if it was a shock to the rest of the world.

But loyal supporters of Chubais, a casualty of the cabinet purge, started spinning the line that their reformist boss had been behind the whole thing, sacrificing himself to torpedo stolid prime minister Viktor Chernomyrdin. To underline his influence, they confidently

predicted that their chief would move smoothly into UES. If he hadn't made it, his spinmeisters' manoeuvrings would just have underlined how far the former reformist darling had been left out in the cold.

Neu broom

Investors in Siemens are sounding a lot happier these days now that the sprawling German conglomerate, long lambasted for being unfocused, looks like changing its ways under new finance director Heinz-Joachim Neubürger.

The shareholders' patience with Heinrich von Pierer, the group's staid chief, was wearing a little thin. But hardly had Neubürger got his feet under the desk than the personal computer business was on its way to Taiwanese rival.

The new kid on the block and his smooth boss will now be expected to keep up the pace of restructuring, which would almost inevitably include job cuts in Germany. That's not always easy, and is even less so in an election year when von Pierer's close pal Helmut Kohl is fighting for his political life.

Off the wall

So what's the difference between the two big events in Brussels – the single currency summit and the Magritte exhibition? One is a surrealistic mess, the other is a collection of paintings.

Financial Times

50 years ago

Warning To U.S. Film Producers

Mr. Harold Wilson, President of the Board of Trade, told the House of Commons yesterday that the film industry would not be swamped by American producers using up their unredeemed sterling balances to make films, and gave a figure of 12 productions a year as reasonable. He warned American producers that, if they attempted to "beat the pistol" by buying up studio space in Great Britain before the Anglo-American agreement was fully working, he would not hesitate to take powers to deal with them. The agreement, Mr. Wilson maintained, saved us dollars that only the closing down of cinemas could otherwise have saved, and he said it was the fear of such closures that unsettled the film-making world and caused under-production.

Italian Cabinet Reshuffle? Rome, April 30. In Rome discussions are in progress for a Cabinet reshuffle. According to latest reports, Signor de Nicola, the present President of the Republic, might accept to be re-elected President for another seven years when Parliament re-convenes.



FINANCIAL TIMES

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THE LEX COLUMN

Cool Britannia

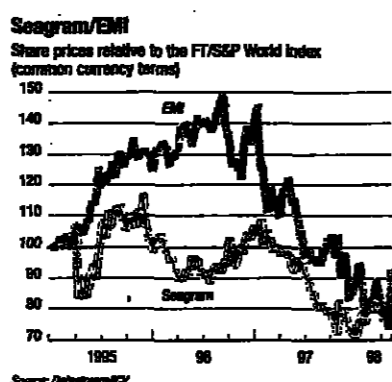
How much would it matter for Britain if EMI fell into foreign hands? There would certainly be much gawking of teeth – not least in 10 Downing Street. “Cool Britannia”, or the vibrancy of the country’s creative industries, has been the leitmotif of Tony Blair’s first year in government. Seeing the company that has brought the world the Beatles and the Spice Girls crumble to a foreign takeover would hardly be a great anniversary present. National anguish would be more rational in this case than, say, with Rolls-Royce Motor Cars being sold to BMW. Britain no longer has much competitive advantage in the motor industry. Pop music is another matter. Britain has produced a long list of global stars since the early 1960s, and developed skills in managing them.

But would foreign ownership of EMI change this? Probably not. Any new owner would be as keen to hunt out new British pop groups. And most of the value would continue to end up with stars rather than shareholders. It would be rather like the City of London, where foreign ownership of most firms has not stopped bankers and brokers receiving fat remuneration packages.

The real national worry ought to be how British companies that could be world-beaters are exhibiting such a poverty of ambition. Has EMI been expanding into films, theme parks, multimedia, the internet – or even old-fashioned book publishing? No, it has used its spare cash to buy back shares. There has been the same corporate anorexia at Reuters, a world-leader in electronic information, and Barclays, which could have been a force in investment banking if it had invested enough in the early days. It is time for utilities to curb their appetites. But companies with prospects need to show more vision.

Seagram/EMI

A bid approach is not the same as a firm offer. And if, as seems the case, Seagram is the company referred to in EMI’s statement, shareholders should not get over-excited. While a combination of the two groups’ music businesses would make good industrial sense, structuring the right financial deal would be tricky. EMI is not as valuable as it was, but it would



still cost at least \$10bn. It is hard to see Seagram, which is only worth \$15bn, finding that amount in cash. And given that its own share price has been dogged by a mediocre financial performance, the market’s appetite for a large slug of its stock might be limited. An all-share “merger of equals” looks a not-starter too. Why would EMI’s shareholders want shares in a conglomerate with big positions in spirits and orange juice? One way round that problem, of course, would be for Seagram to inject its music business into EMI.

The snag is that EMI would then be the bigger business and end up in control. Would the Brontës, who control Seagram, really countenance that?

US economy

Wall Street indulged in a bit of rational exuberance yesterday, following another set of breath-taking US economic figures. The Dow Jones index jumped back above 9,000, while the yield on the 30-year Treasury dropped below 6 per cent. The fairy tale combination of strong economic growth and falling inflation painted by the statistics is hard to argue with. While it continues, it is hard to see the Federal Reserve raising interest rates.

There will be a slowdown, of course. Those economists who had expected one in the first quarter, when gross domestic product soared by 4.3 per cent, now grudgingly predict one this quarter. They may well be right. Capital equipment spending, which jumped 29 per cent, and consumer

spending, up nearly 6 per cent, look unsustainable. And the build-up in inventories will almost certainly be reversed. But it is also becoming clear that a rapidly deteriorating trade balance will not stall the US economy. Meanwhile, a chunky decline in employment costs suggests the economy is still defying the conventional link between growth and inflation, now down to 1.4 per cent.

This background does not justify stretched equity valuations, though it will clearly support the sanguine consensus that still underpins Wall Street. For bonds, the good news is that the Fed will probably delay a tightening until the autumn. But lower rates are not in prospect either, so the bond market may well trade sideways.

Credit Suisse/ING

A European financial services champion? If the rumours of a Credit Suisse/ING merger were accurate, which seems unlikely, that would undoubtedly be the outcome: a \$100bn bancassurance giant, and respectable European counterpart to the giant Citigroup. With both banks’ market capitalisations within spitting distance of \$60bn, a merger of equals would also be a fairly simple affair.

Whether shareholders should rejoice is another matter. Sheer size is not a very useful concept when it comes to assessing potential returns. Moreover, in-market mergers, where large overlaps allow for big cost synergies, create more value than the cross-border variety. That said, both Switzerland and the Netherlands are highly concentrated domestic markets, so if anyone has an excuse for looking across borders they do. But it is not clear that their combination would solve their problem of good products but slow growing domestic markets. What it might do, though, is provide the platform to do other, potentially more valuable, deals in markets like Germany, France and Italy.

Whether the likes of Deutsche Bank and ABN AMRO would allow such a deal to be nodded through is another matter. Both would covet Credit Suisse’s US investment banking operations. Perhaps there would be a meeting of minds; a US investment bank does not sit easily with a European bancassurance house.

US anti-firearms lobby lays blame at gunmakers’ door

By Victoria Griffiths in Springfield, Massachusetts

Silent March, the anti-gun organisation, will tomorrow lay 5,285 pairs of children’s shoes at the doorstep of the headquarters of Smith & Wesson, the big US gun manufacturer, in Springfield.

The shoes will represent the 5,285 children killed from 1988 to 1995 in shootings. On the same day Silent March will place 45,000 pairs of shoes in front of five other major firearms makers across the country.

The demonstrations are part of a new campaign by the anti-firearms lobby to send the message that the gunmakers, as well as the shooters, should be held responsible for gun violence.

Modelling itself on the anti-smoking campaign, Silent March is urging the public to sue gun companies for the death or injury of family members and calling on Congress to regulate firearms under consumer protection laws.

The goal is to squeeze the companies through lawsuits and regulations. Until now, the group has concentrated on lobbying Congress to ban guns. Its last demonstration, in

Washington in 1996, attracted 35,000 protesters.

“We realise now that Washington is probably not going to take action,” says lawyer and anti-gun activist Nancy Raneh. “It’s just part of the fabric of the country that people defend gun ownership. But I think we can win victory through the courts.”

The gun industry, with \$1bn in annual sales, says it is concerned about the new tactics. “Even though we have consistently won lawsuits, they are becoming a heavy financial burden for us,” says Ken Jorgensen, spokesman for Smith & Wesson.

Gunmakers are facing dozens of lawsuits from the families of shooting victims. Some accuse firearms companies of using faulty distribution channels, which allow the guns to fall into criminal hands. Others are pursuing claims on the basis of existing product liability laws.

Gun manufacturers, say activists, have a responsibility to incorporate safety features to prevent wrongful shootings. Major gunmakers point out that since signing a deal with President Clinton last October, they have voluntarily shipped locking devices with firearms. A University

of Washington study last year tied gun ownership to a significantly increased risk of suicide or homicide. The Centre for Disease Control in Atlanta has estimated direct medical costs for shootings at \$1.5bn each year.

Anti-firearms activists hope such numbers will help convince lawmakers that warning labels should be placed on guns. They are aiming to strengthen their case by fishing out internal company documents which would show that companies knew they could make their products safer.

Lawyers in a suit against gunmaker Beretta for an accidental California shooting claim to have such evidence.

Pressure is also growing for gun companies to incorporate a developing technology called “personalisation” which would require users to identify themselves through a fingerprint recognition system on the firearm, the theory being that only the owner of the gun should be allowed to fire it. New safety requirements might also lead to the banning of drills such as silencers and a special finish that is resistant to fingerprints.

Euro-Japanese agreement brings the global mobile phone closer

By Alan Cane in London

An agreement between European and Japanese mobile phone groups has brought closer the day when subscribers will be able to use their handsets anywhere in the world.

The deal, announced yesterday, to co-operate in the development of mobile systems based on a common standard, has partly resolved a serious three-way technology split between Europe, Japan and the US, although US operators are continuing to develop a competing technology, CDMA (Code Division Multiple Access), which is claimed to have technical advantages over GSM.

The agreement strengthens the possibility that Europe’s standard for digital mobile telephony, known as GSM (Global System for Mobile telephony), will provide the core technology for a global standard for the next generation of mobile systems.

It also means the European cell-

phone industry will be able to benefit from large economies of scale in manufacturing and from the advantage of controlling the development of the technology.

NTT DoCoMo, Japan’s largest mobile operator with almost 18m subscribers, has agreed to work with the trade association for existing GSM operators and regulators to develop so-called “third generation” mobile systems based on GSM principles.

The two groups will co-operate on initiatives to promote and support third generation commercial systems and services, such as full motion video to the handset, internet access, on-line shopping and banking.

Adriana Nugter, of the mobile operator Europoitan and chair of the GSM group, said: “This is a very important step in establishing a true third generation world consensus. This agreement could be one of the most important examples of interna-

tional technology co-operation of the decade.”

Kouji Ohboshi, president of NTT DoCoMo, said the company was already experimenting with the European standard. “NTT DoCoMo is developing multi-media applications for wireless services as part of our objective of being the first to introduce third generation services by the year 2001.”

Third generation mobile phone systems will add advanced data transmission to conventional voice services once standards for the service – known as UMTS (Universal Mobile Telecommunications Services) – are agreed.

GSM proved successful for European operators and a springboard into the first league of telecoms manufacturers for companies such as Ericsson of Sweden and Nokia of Finland. There are more than 62m GSM subscribers, representing 33 per cent of the world market for wireless services.

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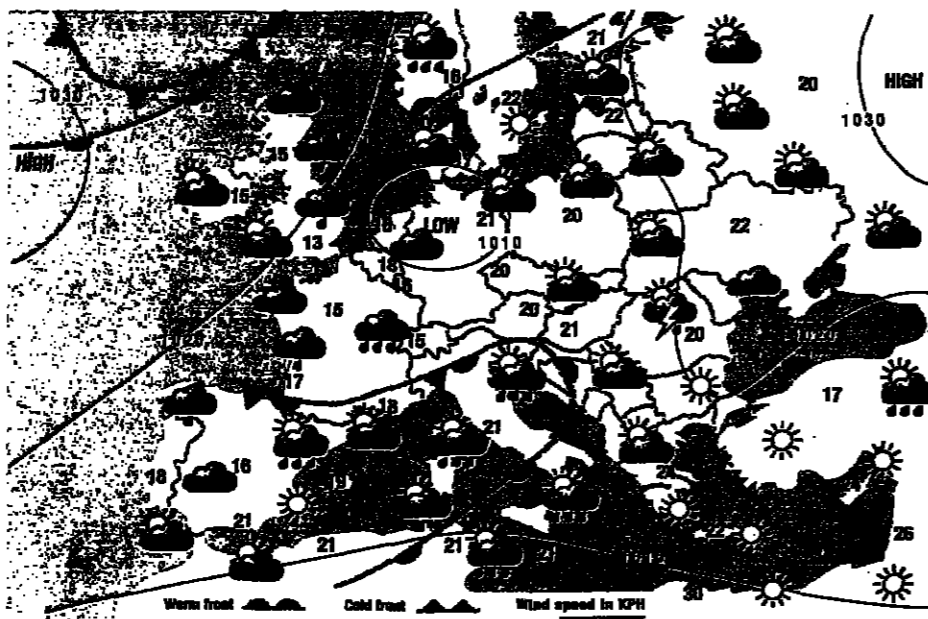
FT WEATHER GUIDE

Europe today

Most of Scandinavia will be unsettled with heavy showers, but southern parts will have some warm sunshine. Central and north-west Europe will have another unsettled day with heavy showers by the afternoon and some hail and thunder. North-west France should be mainly dry. Portugal, Spain and Italy will also be unsettled with showers. Eastern Europe will remain warm with some sun and isolated showers or thunderstorms.

Five-day forecast

Central Europe will remain wet with a risk of thunder. The north-west will become drier but cooler. Scandinavia will have fine weather by early next week. Much of Mediterranean will have showers, but the east will stay warm and sunny.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHERCENTRE

TODAY'S TEMPERATURES

Madrid	Barcelona	Shower	18	Catifa	Fair	14	London	Shower	15	Madrid	Shower	21	Rome	Shower	21
Casals	Belling	Shower	22	Caubessies	Fair	18	Glennair	Shower	21	Manchester	Fair	13	S. Franco	Rain	21
Agu Dhabi	Cloudy	22	Bellat	Shower	18	Allegre	Fair	18	Allegre	Fair	30	Beauf	Rain	27	
Algeria	Fair	21	Berlin	Fair	22	Chicago	Thunder	18	Madonna	Fair	21	Calene	Rain	27	
Alps	Cloudy	21	Dakar	Sun	23	Dakar	Sun	26	Helsinki	Sun	21	Mexico City	Sun	21	
Amsterdam	Cloudy	24	Berlin	Sun	28	Berlin	Sun	28	London	Thunder	30	Stockholm	Sun	22	
Atlanta	Fair	26	Bogota	Thunder	18	Bogota	Thunder	18	London	Thunder	30	Stockholm	Sun	22	
Atlanta	Fair	24	Bonny	Sun	33	Bonny	Sun	33	London	Rain	17	Stockholm	Sun	22	
S. Anne	Shower	18	Brussels	Shower	18	Buñin	Fair	15	London	Sun	20	Stockholm	Sun	22	
Brussels	Shower	18	Crutchen	Shower	18	Dublin	Cloudy	13	London	Sun	20	Stockholm	Sun	22	
Bangkok	Fair	37	Edinburgh	Cloudy	13	Edinburgh	Cloudy	13	London	Sun	20	Stockholm	Sun	22	

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COMPANIES & MARKETS

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INSIDE

Bre-X drama continues in the courts
More than a year has passed since Bre-X Minerals' purported 71m ounce gold deposit in Indonesia was unmasked as a hoax. The drama is now being played out in courtrooms in Toronto and Texas, where lawsuits seeking billions of dollars of damages have been launched. Lawyers representing about 2,000 investors say the company and its directors are not the only ones to blame. They also allege that several brokerage firms issued false and misleading research reports about the Busang deposit and profited from their association with the company. Page 24

Brazil bids punctuated by problems
In Brazil, the difference between a comma and a full stop can be costly. Tesc, a consortium bidding for cellular telephone licences, was disqualified on grounds that included expressing its winning bid in figures using Anglo-Saxon notation - commas before thousands, full stop for decimal point - instead of the opposite system used in Brazil. The Supreme Justice Tribunal finally ruled that lesser courts should have accepted that Tesc's bid was not just over R\$1.32 (US\$1.17), but a billion times that amount. But, as the second stage of the sell-off looms, have the lessons been learnt? Page 18

Malaysia balks at crisis measures
Investors in Malaysia were hopeful, at the start of the year, that the government was ready to deal with the consequences of the Asian financial crisis. But conflicting statements on how to respond to the crisis and a lack of substantial changes in the economy have dashed those hopes. Bankruptcies, poor company results, and perceived bail-outs of well-placed individuals have hit share prices. The authorities seem intent on avoiding a move analysts see as inevitable - relaxing the limits on foreign ownership in key sectors. Page 34

Sun refuses to set on jute group
Jute was labelled as a "sunset industry" nearly two decades ago when synthetic bags became the bulk packaging medium. But India's Champdany Industries surprised the market by consistently making healthy profits. It has been able to defy the downward trend by placing its faith in high value-added new products that require the blending of jute with other fibres. Page 16

European markets up on rate news
European equity markets saw a strong surge, as fears of higher interest rates receded. US data indicated that inflationary pressures remained subdued, in spite of a booming economy, while the Bundesbank decided, as expected, to leave rates unchanged at its regular monetary meeting. And EU leaders rallied to reassure financial markets that the dispute over who should head Europe's future central bank would be resolved at this weekend's summit meeting in Paris. Page 34

New North Sea oil discovery
An oil consortium, led by Amoco of the US, has made a large oil discovery in the Norwegian section of the North Sea, which could open recoverable reserves of up to 500m barrels of oil equivalent. Page 24

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EMI shares rise as group confirms bid approach

Seagram and Disney are among possible suitors for record company

By Alice Rawsthorn in London and William Lewis in New York

Shares in EMI, one of the world's largest music groups, rose 99% to 607 1/2p yesterday after the company confirmed it had received an approach from a prospective bidder, believed to be Seagram, the Canadian drinks and entertainment conglomerate.

Seagram, which held unsuccessful talks with EMI last year on a possible merger with the Canadian group's Universal Music subsidiary, is understood to have renewed discussions in recent weeks.

Seagram refused to comment. EMI, valued at \$4.77bn (\$8bn) yesterday plus \$1bn of debt, declined to identify which company had approached it, both in a statement to the London Stock Exchange and an internal memorandum circulated to staff by Sir Colin Southgate, chairman.

The talks are thought to be at an early stage, and may not lead to a formal offer.

Other prospective bidders are thought to include Walt Disney, the US entertainment

group, which is believed to have been considering the acquisition for several months, and Kirk Kerkorian, the veteran US corporate raider who controls the MGM/UA movie studio.

Analysts speculated that the confirmation of bid talks might trigger a bidding war.

Sir Colin said yesterday: "This business is not for sale - clearly we have a fiduciary duty to consider any serious offer to increase shareholder value. However, over the years we have often had expressions of interest which come - and then go."

EMI, which owns the world's largest music publishing company and numbers the Beatles, Radiohead, Smashing Pumpkins and the Rolling Stones among its artists, has been the bastion of the UK music industry for over a century, but has been dogged by long-running bid rumours.

It is the only one of the "big six" record companies, which collectively control over 70 per cent of the \$38bn global music market, to remain independent. The others - Sony, PolyGram, Warner, Bertelsmann,



The Beatles have been one of EMI's most valuable assets for more than 35 years.

and Universal - are already controlled by larger electronics or entertainment groups.

Global record sales have slowed recently, making EMI more vulnerable to a bid. Sir Colin is expected next month to announce a fall in pre-tax profits to around \$312m in the year to March 31, from \$380.5m in the previous year.

Speculation about EMI's

future was also heightened by a boardroom row in February. The board vetoed proposals for Sir Colin to go non-executive after his appointment as Royal Opera House chairman, with Jim Ffield, the 57m-a-year head of EMI Music, becoming group chief executive. Mr Ffield has since left the group with a £12m pay-off.

One of the chief stumbling

blocks in EMI's previous talks with Seagram is understood to have been Sir Colin's insistence that he and Mr Ffield retain control after the merger. That obstacle was removed by Mr Ffield's departure, and Sir Colin's new role at the Opera House.

Lex, Page 14
London stocks, Page 30

Delta and United agree air alliance

By Michael Skapinker in London

Extensive link-up is subject to approval by powerful pilots' unions

United Airlines and Delta Air Lines, two of the world's biggest carriers, are to form an extensive alliance, subject to the approval of their powerful pilots' unions.

The link-up, announced yesterday, is one of several new partnerships in the US industry this year, as carriers attempt to win new business by offering flights to destinations they do not currently serve.

The airlines hope to combine Delta's strong presence in the eastern and southern US with United's routes in the west and

midwest. The deal follows alliances earlier this year between Northwest and Continental Airlines and between American Airlines and US Airways.

Although the airlines said they intended to cooperate on flights both in and outside the US, they will not extend their alliance to Europe. They said this was because of the "uncertainty and complexity of the European regulatory environment".

The European Commission is examining the two airlines' alliances with European carriers and United and Delta said

they did not wish to complicate matters further.

Gerald Greenwald, United chairman, said the airlines were following the consolidation pattern set in other industries. "This agreement represents the wave of the aviation future. The economy and business have gone global: so have communications. Our customers tell us they need the same in transportation. No one carrier has the resources to meet this demand alone."

Both airlines have union agreements allowing their pilots to veto code sharing

deals - selling seats on each other's flights. A plan to announce the alliance last week was postponed after opposition from Delta's pilots.

Both companies said yesterday they had had extensive discussions with their pilots' unions on the implications of the deal, although agreements have not yet been reached.

Delta has rejected a demand from its pilots that they be given a voting seat on the board in return for approving the deal. Delta's pilots have a non-voting representative on the board. United, which is

majority owned by its staff, has three employee directors, including one pilots' representative.

The two carriers said they had no plans to merge. There would be no exchange of equity and the airlines would retain their separate identities.

The airlines will not apply for anti-trust immunity from the US authorities, which would have allowed them to operate as a single carrier and set fares jointly. The two will still compete on price and neither will withdraw from routes they both serve.

Seamless travel, Page 18

US operations chief to take the helm at McDonald's

By Nikki Tait in Chicago

Michael Quinlan, chief executive of McDonald's, is to hand over control to Jack Greenberg, currently head of US operations, as the world's biggest fast-food chain attempts to revitalise its business.

McDonald's has grown dramatically during Mr Quinlan's 10-year reign and now operates in 109 countries, but lately has suffered loss of market share and weak profits in the US in the face of intense competition from rivals such as Burger King.

Mr Greenberg's appointment, which takes effect in August, follows efforts by

McDonald's to recover its poise after its much-hyped Arch Deluxe burger and a 55-cent Big Mac promotion failed to live up to expectations.

The company announced a management shake-up in July which propelled Mr Greenberg to chief executive of US operations. In March, it announced a \$180m plan to revive flagging demand by changing the kitchen equipment in all of its 12,880 US restaurants. The new equipment will allow McDonald's to make burgers to order instead of cooking them in batches.

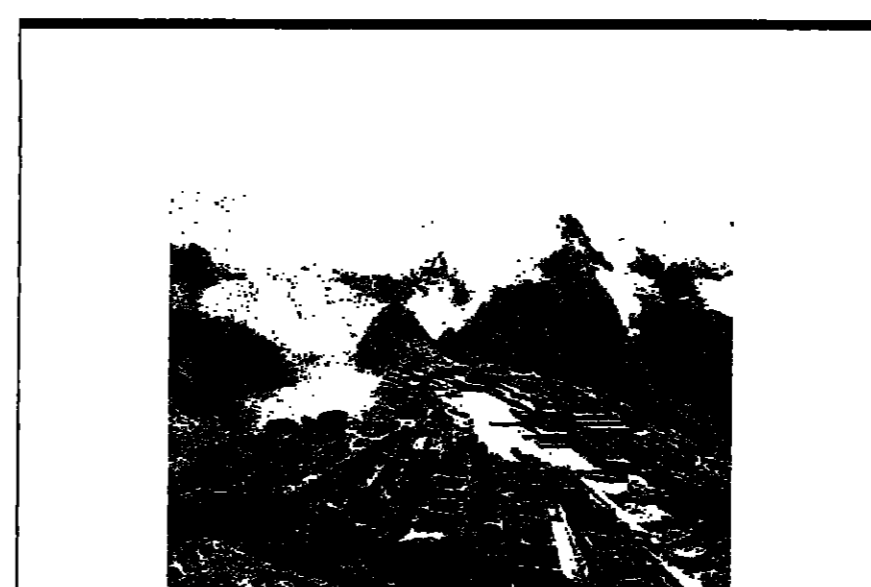
Earlier this month, McDonald's succeeded in meeting analysts' expectations for the first time in three quar-

ters, reporting net profits up 5 per cent in the first quarter to \$362.3m on sales of \$8.2bn.

Mr Quinlan has talked of achieving "positive momentum" and the company's share price has recovered significantly. Yesterday, in a strong market, McDonald's shares rose \$1 1/2 to \$50 1/2.

Mr Greenberg said he intended "to continue to grow the business", and would be making innovation a priority. He said a second priority would be "aggressively leveraging the synergies between the US and international businesses", and that he would be looking to "focus on people".

Mr Quinlan will continue as chairman.



Machu Picchu, Peru

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Bonds, Page 22

INDONESIA BALANCE SHEETS HIT

Forex losses take toll on 1997 results

By Sander Thoenes in Jakarta

Foreign exchange losses, soaring interest rates and bad-loan provisions devastated the 1997 results of a host of Indonesian companies and banks which met yesterday's deadline for reporting.

The collapse of the rupiah boosted profits at some exporters, but foreign-exchange losses on off-shore debt hit balance sheets. Property companies and others dependent on domestic sales saw revenues fall, while the cost of sales rose with inflation.

Many of the problems are still hidden. Several leading conglomerates, such as Bakrie Group, failed to report on their flagship listed companies, and some have their worst results in unlisted holding companies and subsidiaries.

Banks reported bad-loan provisions off less than 5 per cent, at a time when Standard & Poor's, the credit rating agency, predicts bad loans will reach 15 per cent by the end of this year.

Many companies have kept forward contracts for dollar purchases, which are likely to prove extremely costly with the weak rupiah.

Exports help cushion blow

Sinar Mas, Indonesia's second largest conglomerate, appears to have been cushioned from the current crisis by its strong reliance on exports, writes Sander Thoenes.

Its Indah Kiat Pulp & Paper unit reported a 48 per cent rise in net profits to Rp392.5bn (\$49.5m) in spite of a foreign exchange loss of Rp489.6bn and interest expenses of Rp463.3bn.

Fabrik Kertas Tjiwi Kimia, the group's paper producer, saw a 140 per cent rise in net profit to Rp348.4bn on surging revenues and a foreign exchange gain of Rp18.6bn.

Its Bank Internasional Indonesia's profits dropped 6 per cent to Rp244.4bn, in line with the fall in its provisions. Smart, the agricultural subsidiary, made a Rp87.7bn loss, however, because of foreign losses and ballooning interest costs.

Medco Energi, an oil producer, more than doubled net profits from Rp40.2bn to Rp65.5bn, but also reported Rp91.5bn in foreign losses.

Bakrie Sumatra Plantations said net income was up 16.7 per cent to Rp50.4bn on

a 38 per cent rise in sales and a Rp7bn forex loss.

Semen Gresik, the privatised cement mill, reported a 6 per cent rise in net income to Rp232.6bn, but interest expense doubled from Rp62.2bn to Rp129.1bn.

Competitor Semen Cibi-nong also saw sales rise but foreign losses and interest costs left it with a Rp268.7bn loss.

Indofood and Indomobil, the food and automotive subsidiaries of Salim Group, reported losses of Rp1.19bn and Rp403.8bn, respectively.

Indofood reported forex losses of Rp1.53bn and a 16.7 per cent rise in the cost of goods sold to Rp3.49bn.

Indomobil's forex loss was Rp580.4bn.

Inti Indorayon Utama, the rayon producer of Asia Pacific Resources, booked a loss of Rp444.4bn on Rp209.6bn in forex losses and Rp147.5bn interest expenses.

Great River, the textile company, reported a Rp12.5bn loss compared to a Rp35.7bn profit in 1996, on the back of Rp24.4bn forex loss and Rp33.3bn in interest payments.

ABS-CBN sees a leap forward in basketball

By Justin Marozzi in Manila

The Philippines' biggest media group, ABS-CBN, saw first-quarter profits rise 25 per cent year-on-year to 309.5m pesos (\$7.7m) thanks to increased advertising revenue, with further growth expected from the broadcast-

er's recently launched national basketball league. Revenues improved 36 per cent to 1.4bn pesos. The strong gain followed a poor first quarter last year, when advertisers boycotted the network after it increased rates by 30 per cent. It subsequently scaled back the increase to 16 per cent, and profits in the quarter slumped 15 per cent.

Eugenio Lopez, chairman and chief executive, said 1998 would be difficult given the weak market conditions brought on by the Asian crisis, but profit growth of 15 per cent was "a realistic target". Growth would be generated largely from an increase in advertising rates. The new rates, which Mr Lopez said had been agreed with advertisers, will be applied retroactively to February billings.

The capital expenditure programme of 2bn pesos this year will be used for the group's new broadcasting centre and development of its ultra-high-frequency channel. Some expenditures

will be delayed, with the group targeting retirement of some of its debts. ABS-CBN has short-term obligations of 600m pesos.

The group has so far invested 150m pesos in the establishment of Metropolitan Basketball Association (MBA), the country's first national basketball league, launched by President Fidel Ramos last month at a contest between the Pangasinan Presidents and the Cebu Gems. As a result of the American occupation of the Philippines from 1898 to 1946, basketball has become the most popular and lucrative sport in the country.

MBA, an ambitious joint venture between ABS-CBN and the local group Metroball, is targeting provincial viewers of the network's Channel 23 as an important source of advertising revenue. ABS-CBN is the only local media group capable of broadcasting live games from anywhere in the country. At present, the Philippine Basketball Association, the dominant professional league, has eight teams, all based in Manila and sponsored by local companies.

As a guide to the new league's size, salary caps for each of its 12 teams stand at 7m pesos, compared with 25m in the PBA, which has been running for 24 years.



Basketball is now the Philippines' most popular sport. Hilton Getty

"PBA is centralised in the capital and the teams are product-based, so people in the provinces have nothing to cheer about," said Vincent Reyes, chief operating officer of Metroball. "What we're doing from a business and marketing point is educating advertisers that there are tremendous opportunities in the provinces."

George Padolina, executive vice-president for the regional network at ABS-CBN, is aiming for gross advertising revenues of 200m pesos in the first year, of which 100m pesos will go to Metroball, to be divided

between that company and the teams. Mr Padolina expects revenues to increase by 30.50 per cent after that.

"MBA is the way forward for basketball in the Philippines, especially with the endorsement of the richest and most powerful national media group," said Charles McVeigh, head of the Manila office of ECM, a media consultancy.

One month into the new league, there are encouraging signs. Ratings on Channel 23 have jumped and the new provincial teams have been mobbed by enthusiastic hometown fans.

Japanese securities losses soar

By Bethan Hutton in Tokyo

Japanese companies' losses on securities holdings are set to reach their highest level for five years in the forthcoming results season, as the collapsing stock market has eroded asset values.

The past few weeks have seen a series of statements on unrealised securities losses, since companies are obliged to issue warnings if losses will materially affect their profit forecasts. The financial year for most companies ends on March 31, with annual results reported in May.

On March 31 the Nikkei 225 stock average was more

than 8 per cent lower than a year earlier, at 16,527.17, in spite of the government's efforts to talk the market up.

Jason James, head of research at HSBC Securities in Tokyo, said this year's total valuation losses - mainly from securities holdings, but including some property - were estimated at ¥1,500bn (\$11bn) for companies listed on the Tokyo stock exchange, excluding financials. Last year, companies took about ¥900bn of securities losses and ¥400bn the year before.

Securities valuation losses last peaked in 1992 and 1993, when the stock market bottomed out after its slow

decline from the 1989 high. In 1992, companies booked a total of ¥2,000bn of valuation losses, with another ¥1,800bn in 1993, according to HSBC figures.

"At that time, the level of profits was still much higher, so people were more prepared to bite the bullet, but as profits began to fall away in the post-bubble period, companies hoped that the losses would go away. As profits are now going into a downturn again, companies are thinking that they should write the losses off," Mr James said.

Most companies have been moving towards a more transparent system, of val-

ing assets on a market basis rather than acquisition cost or book valuations. Valuation losses are usually reported as extraordinary items.

Japanese banks are the most dependent on securities holdings, as unrealised gains can be counted towards their capital. The banks were given a respite this year by the government, which is allowing them to keep securities holdings on their books on a cost basis. This means that although several banks have large latent net losses on their securities portfolios, these will not affect balance sheets this year.

NEWS DIGEST

TELECOMS

KDD postpones planned merger with Teleway

KDD, Japan's largest international telecoms operator, said its planned merger with Teleway, a domestic long-distance operator affiliated with Toyota Motor, would be postponed because of the need to iron out some remaining differences. The company would not comment further on the reasons for the delay to merger, which was expected to be finalised yesterday.

Last November, KDD and Teleway agreed to merge to raise their competitiveness in the face of growing competition in their respective markets. The revision of a law which had restricted KDD to the international market, and the expansion of NTT, the dominant domestic telecoms company, into the international market, had set the stage for a merger, which was seen as necessary for KDD's survival. Michio Nakamoto, Tokyo

PHILIPPINES

Jollibee ahead 30%

Jollibee, the expanding Philippine hamburger giant, yesterday announced a 30 per cent increase in first-quarter profits to 158m pesos (\$3.94m) after more robust sales and reduction of debts.

Sales rose 26 per cent to 2.43bn pesos. Analysts said Jollibee had benefited from the regional downturn as customers shunned restaurants in favour of more affordable fast-food outlets. A capital-raising exercise last month through the issuance of warrants generated 1.35bn pesos and helped the group pay off all debts and raise cash for further expansion. Despite the regional slump, the group is planning to open 50 new Jollibee outlets and 40 new Greenwich Pizza stores.

"We managed to strengthen our financial performance despite the economic pressures brought about by the region-wide currency uncertainties as a result of our strategic efforts to fortify our market presence and improve operating and cost efficiencies," said Raffy dela Rosa, chief finance officer.

Shares in the group, the only listed fast-food company in the Philippines, closed down 0.25 pesos yesterday at 16.75 pesos.

Analysts praised Jollibee for continuing to expand overseas without incurring rising costs. It is opening branches abroad on a franchise basis and already has outlets in the US, China, Brunei, Hong Kong, Indonesia, Malaysia and Vietnam.

"McDonald's will have to reduce its operational and logistical costs to match Jollibee on a price-for-price basis," said one consumer analyst at a foreign brokerage. Justin Marozzi, Manila

INFRASTRUCTURE PROJECTS

Caisse de Dépôt launches fund

Caisse de Dépôt et Placement du Québec, Canada's largest fund manager, has launched a US\$400m fund with the Asian Development Bank to invest in private sector infrastructure projects with special emphasis on Thailand, the Philippines, Malaysia and countries bordering the Mekong river.

Caisse de Dépôt said it had contributed \$300m to the fund through its Capital International CPDQ subsidiary, while the ADB had put up \$200m, and the partners were now looking for other institutional investors. "We believe this fund should generate a return of 20 per cent a year," said Jean Lamotte, Capital International president. Peter Montagnon, Asia Editor

PLDT rises 62% in quarter

By Justin Marozzi

First-quarter profits at PLDT, the largest telecommunications group in the Philippines, surged 62 per cent to 2.1bn pesos (\$52m) following strong growth in domestic long-distance and international operations and tariff rebalancing.

Revenues jumped 47 per cent from 7.35bn pesos to 10.78bn pesos.

Shares in the group, the biggest local beneficiary of the Asian crisis, advanced almost 3 per cent yesterday to close at 1,075 pesos.

"There are tremendous prospects for 1998," said Raffy Manalaya, director of the Manila office of brokers SocGen-Crosby. "The growth has really emanated from the tariff rebalancing

late last year but there is also impressive organic growth."

The government last December gave PLDT the go-ahead to lift fixed monthly rates for residential and business customers in two stages, by 26 per cent and 18 per cent respectively, to compensate for declining international accounting rates. It was also allowed to charge domestic long-distance tariffs, which represented 1.79bn pesos or 17 per cent of first-quarter revenues, at a range of 1.5 pesos to 8 pesos, compared with the previous 3 pesos to 6 pesos.

International long-distance revenues improved 32 per cent to 4.91bn pesos, or 46 per cent of total revenues.

The collapse of the peso against the dollar has contributed to strong growth at the group's bottom line. PLDT has a strong exposure to dollar-denominated earnings. The average exchange rate was 40.1 pesos to the dollar, compared with the year-earlier level of 26.3 pesos.

Local network revenues leapt 73 per cent to 3.99bn pesos, helped both by rate rebalancing and the increased number of operating telephone lines up from 1.56m to 1.69m.

Mr Manalaya, who is forecasting full-year profits of 7.79bn pesos, said the shares looked fairly valued at 1,075 pesos. On 1998 earnings, they were trading on a prospective price/earnings multiple of 15.8, a fractional discount to the market.

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Sun refuses to set on Champdany Industries

While the rest of the jute industry has gone into decline, one group has gone from strength to strength, reports Kunal Bose

Jute was labelled as a "sunset industry" nearly two decades ago when synthetic bags became the bulk packaging medium. But even as the jute industry was losing money heavily, Champdany Industries, nearly 70 per cent owned by the reclusive Wadhwa family, surprised the market by making healthy profits year after year.

Bumper jute crops in 1997 and 1998 have led to a sharp fall in the raw material prices while the prices of jute goods held firm. At Champdany, according to Mr Servadaman Roy, an analyst, net profits rose at least 112 per cent to Rs650m (\$16.4m) on sales 6 per cent higher at Rs2.3bn in the year to March 1998.

"Almost every jute mill company made profits last year. Champdany, the world's most profitable jute group, earned super profits in 1997-98," says one analyst.

Champdany has been able to defy the industry trend of 20 years because, unlike most other groups, it placed its faith in "high value-added new jute products that require the blending of jute with other natural and man-made fibres", says a merchant banker.

The first in the industry to make high-value, non-traditional products such as blended jute fabrics for wall-hangings and fine furnishings, the group accounts for one-third of India's income from export of jute goods.

Mr D.J. Wadhwa, managing director, says: "We realised early that Champdany will go the way of other jute mills unless we gradually bring down the production of traditional items like sacking bags and ordinary hessian cloth, where the margins are thin and utilise the capacity to make profitable products."

"The large-scale sickness in the industry has been caused by the inability of mills to modernise periodically. Many are still stuck with century-old machines

"We do not look at jute as a commodity. We create products for demanding customers and we do aggressive marketing."

The Indian Jute Mills Association says: "The credit for making jute part of the textile family goes to Champdany. It invested heavily in R&D, a rare phenomenon in the industry, and developed processes for blending jute with cotton, flax, wool, ramie, viscose and polypropylene. The blending of jute with other fibres makes it possible to produce special yarns and high-value fabrics which are in great demand in Europe, the US and Japan."

Champdany's trail-blazing work earned it an invitation from Bangladesh, the second largest producer of jute after India, to create a "model jute mill" by taking over a government unit.

The Wadhwa family has demonstrated its skill in acquiring sick jute mills and turning them round by replacing the old spinning and weaving machines with high-speed machines and changing the product-mix in favour of high-value items.

"We have three large taken-over jute factories under our belt. Our target is to use 75 per cent capacity of each unit to make high-value products. We cannot go beyond this level since we are required by law to make gunny bags for the government," says Mr Wadhwa.

The group and the other mills controlled by the Wadhwas have a share of nearly 10 per cent of the Indian industry's annual production of nearly 1.3m tonnes of jute goods. Its high profitability is underpinned by the realisation of up to Rs15,000 a tonne of diversified items, compared with Rs24,000 for a tonne of gunny bags and Rs30,000 for a tonne of hessian cloth.

"Champdany, however, uses the finest varieties of jute, which commands a high premium over the benchmark grade and other



Traditional jute production is labour intensive

fibres which are much more expensive than jute. It is the only group involved in programmes to improve the quality of jute grown in India," says an industry official.

"The group could not have introduced jute-based products regularly had it not been investing heavily in R&D."

Investment in new generation machinery and product development underwrites its success. Champdany is spending nothing less than 5 per cent of its turnover in R&D. A major part of the product development and R&D work is done at Fortar Weavers, the Dundee-based wholly owned subsidiary of the group.

A good number of jute mills are on the block and the Wadhwa family still has an appetite for more acquisitions.

"We are always looking at takeover opportunities. But

and state taxes. We will not have anything to do with such units.

"Our core competence is in jute and we could have done much more had we been able to hire good professionals. We had no success in recruiting graduates from the business schools. They don't want to work in an industry with such bad image," says Mr Wadhwa.

Jute is a labour intensive industry and the wages claim nearly 40 per cent of the average price of traditional products. In the case of Champdany, however, this figure is much lower in spite of the group having additional facilities such as finishing and dyeing of high-priced fabrics.

"Surplus workers and low productivity are a drag for the industry. The Marxist government in West Bengal, where most of the country's jute mills are located, frowns upon the idea of rationalisation of labour. Champdany is tackling the twin problems by expanding mill capacity and rapidly replacing the obsolete machinery. The group today boasts of highest productivity in the industry," says an official.

At Wellington mill, Champdany's first acquisition, the group built two export-oriented factories to absorb the surplus workers. The Wadhwas are pursuing the same strategy with surplus labour at its other jute groups - Anglo India and Nafarchand.

"The jute mills are notorious for not paying up provident fund and gratuity dues

The United Mexican States Floating Rate Privatization Notes Due 2001

The applicable rate of interest for the period May 1, 1998, through and including August 2, 1998, to be paid on August 2, 1998, a period of 94 days, is 6.5112%. This rate is 131.6% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (5.71875%) as quoted on the Dow Jones/Reuters Monitor as of 11:00 (London Time) on April 29, 1998.

The above rate equates to an interest payment of U.S.D. 17,058,119 per U.S.D. 1,000.00 in principal amount of Notes.

April 29, 1998

BANCO NACIONAL DE MEXICO, S.A.

NEW YORK AGENCY

COMPANIES & FINANCE: INTERNATIONAL

Bae-Saab alliance blazes a trail for Europe

While governments talk, consolidation in aerospace is continuing, report **Alexander Nicoll and Tim Burt**

The defence industry is not standing still while European governments and aircraft-makers ponder how to create a single civil and military aerospace company from many disparate elements.

The past few weeks have seen a flurry of deals in which British companies have deepened their links with European partners. The latest was yesterday's agreement for British Aerospace to take 35 per cent of Saab, the Swedish military aircraft group.

Bae is deeply involved in discussions with governments, and with Aerospace of France and Daimler-Benz Aerospace of Germany, on the terms for joining a single aircraft manufacturing group on a scale sufficient to compete with Boeing and Lockheed-Martin of the US.

But in spite of considerable impetus from the governments, which are also the companies' main customers, a mega-merger seems unlikely to happen soon.

Large obstacles have to be overcome, especially British objections to large shareholdings by the French government and even by Daimler-Benz.

So the consolidation that has been occurring piecemeal is likely to go on.

"Restructuring is happening anyway and will continue to do so," said Kevin Smith, Bae deputy group managing director. "We will continue to do deals which we think are in the interests of our shareholders."

Bae was keen to emphasise that its SKr3.5bn (\$451m) investment was in a sound aircraft company with a strong order book. Its involvement could improve Saab's performance through help with best practices in manufacturing and procurement of parts.

Although Saab last year ceased making regional aircraft, it has a lease book for synergies with Bae's own portfolio of regional aircraft. Bae will also be able to tap Saab's expertise in

space technology, training systems and commercial aircraft components, and the two companies may be able to deepen co-operation in missiles.

The centrepiece of the alliance is, however, the Gripen fighter, which is Saab's main product. Money can be saved initially by rationalising management of the Gripen

It is the first "fourth-generation" fighter to enter service, and is ranked in terms of price and performance somewhere near Lockheed Martin's F-16.

The Swedish air force has ordered 204 Gripens, of which 53 have been delivered.

Yesterday's deal signals Sweden will be an active

The centrepiece is the Gripen fighter, Saab's main product, filling a gap between the Hawk and the Eurofighter

programme, since the two companies currently have a separate joint venture to market the Gripen outside Sweden. It has yet to make any sales but is competing in nine countries, including South Africa, Chile and Brazil.

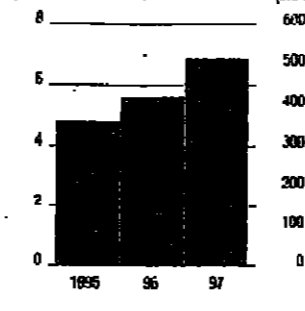
Gripen fills a gap between Bae's Hawk trainer and the larger, more powerful Eurofighter, which is just entering production.

player in European defence consolidation. Bengt Halse, the former pilot and current chief executive of Saab, said: "Other countries are just talking about doing something, but this shows that Sweden is ready to take the initiative."

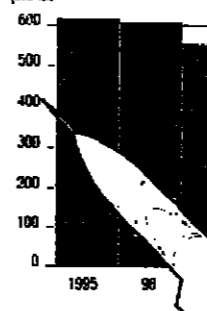
Last year, Stockholm allowed Alvis, the UK armoured vehicle manufacturer, to buy its Swedish rival, Hägglunds, for

High-performance target?

Saab (excluding Regional Aircraft and SAF) Sales (pro forma) (\$m)



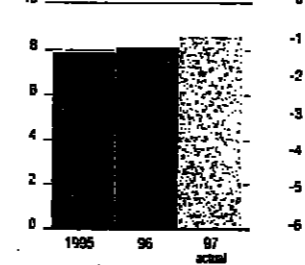
Operating income (pro forma) (\$m)



Sales by business area (\$m)



The Saab group (including Regional Aircraft and SAF) Sales (pro forma) (\$m)



Operating loss (pro forma) (\$m)



Source: Company

Saab Gripen

Saab's restructuring and a return to profit enabled investor to embark on discussions with Bae. Claes Dahlbäck, investor chief executive, said negotiations

had been long and hard.

The Bae provides a strong underpinning for Saab's share reorganisation, which will see it listed on the stock market after investor's

shareholders have subscribed to a discounted rights issue. The pricing of Bae's 35 per cent stake at SKr3.5bn sets a SKr10bn value on the business.

Olivetti in the black for first time in six years

By Paul Betts in Milan

Olivetti, the Italian telecommunications and information technology group, yesterday reported its first net profit in six years, confirming the company's turnaround after being close to collapse.

The group, which is now focusing on telecommunications, said net profits totalled L16bn (\$9.03m) last year, against a loss of L816bn in 1996. The 1997 earnings also reflected its strategic telecoms alliance with Mannesmann of Germany.

Mannesmann paid Olivetti L1.19bn last year as a first instalment for its 35 per cent stake in the Italian company's Olman telecom subsidiary, which controls the fast growing Omnitel cellular telephone operator and the Infostrada fixed-line telecoms operator. Another instalment, of L1.250bn, is payable by 2000.

Omnitel, which became profitable in the second half of last year, is now expected to report a significant profit in 1998, Olivetti said.

Olivetti's turnaround



Roberto Colaninno: has overseen shake-up

reflects a sweeping restructuring and refocusing engineered by Mr Roberto Colaninno, chief executive, over the past 18 months. This included a series of disposals of non-strategic and loss-making assets, including its personal computer operations.

The group has also sold its Olis information technology services and systems subsidiary to Wang Laboratories, of the US. Olivetti now owns a stake of about 19 per cent

in the US group. It also recently negotiated a commercial agreement with Xerox, also of the US, to strengthen its Lexikon office equipment activities.

Olivetti said yesterday its net debt had fallen from L1,681.7bn at the end of 1996 to L1,444bn at the end of last year. Net debt had since risen again to L1,256bn at the end of March 1998, reflecting in large part investments in Infostrada.

The company is expected to be in profit again this year as a result of improved operating performance and further extraordinary gains, including the sale for L52bn of its options in the recent rights issue by Mediobanca, the Italian merchant bank.

Olivetti said first-quarter revenues rose 60 per cent to L129bn. This includes Omnitel but excludes Olis. On a comparable basis, first-quarter revenues rose 3.4 per cent.

Total revenues last year were 20 per cent lower at L6,611.2bn, as a result of disposals. On a comparable basis, the company said 1997 revenues were about 3.5 per cent lower than in 1996.

SMC bids likely in May

By Andrew Jack in Paris

Bids for Société Marseillaise de Crédit, the troubled French banking group that is to be rapidly privatised, are likely to be requested by the end of May, people close to the deal indicated yesterday.

The French government plans to open between May 10 and May 20 a "data room" containing financial information on the bank, with tenders to follow soon afterwards.

The objective is to reach a decision on a buyer in June. The sale of bank was announced two weeks ago by Dominique Strauss-Kahn, economics, finance and industry minister.

In an effort to give the minister the broadest possible discretion in the choice of candidate and the nature of the offer, there is no formal document setting out the terms of the sale.

Three or four French institutions, including the Caisse d'Epargne savings network, are believed to have already expressed interest. However, officials indicated that the government was keen to encourage foreign candidates.

A final recapitalisation by the state scheduled to take place ahead of the sale will be equivalent to the losses and substantial new provisions incurred by Marseillaise de Crédit, and may amount to FF33bn-FF43bn (\$49bn-\$65bn).

No additional provisions have been made for a new restructuring plan to cut employee numbers which any buyer is likely to undertake.

One individual close to the discussions suggested that the offer price from candidates was likely to be about FF1500m.

Argentaria on track to meet targets after 15% advance

By Tom Burt in Madrid

Argentaria, the Spanish financial group which was fully privatised in February, yesterday announced a 15.3 per cent increase in first-quarter net income, to Pta18.2bn (\$119m).

It attributed the rise to an expanding retail banking business and carefully controlled costs.

The results, which were slightly above estimates, indicate that Argentaria, the fourth-ranked Spanish bank, is on track to meet performance targets set under restructuring plans unveiled last month.

Under the plan, Argentaria will bring together its main units to realise latent gains,

reduce operating costs and increase its competitiveness.

Argentaria's net interest income for the first quarter rose to Pta55.8bn, a 3.8 per cent increase on the year-ago period. Operating profit was up 18.6 per cent to Pta32.3bn.

In line with competitors, Argentaria reported a strong improvement in funds under management, as well as a significant increase in current and savings accounts, a business area that has shown slower growth among the other banks.

Retail lending rose 11.2 per cent, with the bulk of the loans for house purchases and consumer credit. The ratio of non-performing loans dropped 0.9 per cent, to 2.1 per cent and coverage stood at 94.3 per cent, rising

to 134.2 per cent with mortgage guarantees.

In addition to business growth, the chief feature of the first-quarter results was a 5 per cent drop in the efficiency ratio, which measures restructuring costs against the operating margin, to 61.9 per cent.

Argentaria's increasingly lean management practices were underlined by a 1 per cent fall in personnel costs, which were partially offset by a 0.7 per cent rise in general costs. These were contained in spite of a 4.8 per cent increase in administrative expenses, chiefly incurred by new information systems.

Argentaria was created in 1991 as a holding company for state-controlled institu-

tions operating in different niche financial markets.

The restructuring under way now repositions the group as a unified retail operation offering common products to a single client base.

Following the Pta350bn market sale of the state's remaining 29 per cent stake in the group, Argentaria's shareholder base rose to more than 1m, by far the largest number of equity holders among the domestic banks.

The group's earnings over the first quarter brought its return on equity up from 10.9 per cent at the end of last year to 12.8 per cent.

Argentaria has pledged to raise its ROE to 15 per cent by the end of 1998.

Low oil prices hit Statoil

Soft oil prices have hit profits at Statoil, the Norwegian state-owned oil company, Reuters reports from Oslo.

The company said yesterday net profits for the first quarter of this year had fallen 14 per cent to Nkr1.2bn (\$161m). Operating profits tumbled from Nkr5.2bn to Nkr3.9bn.

However, downstream activities posted a 66 per cent rise in operating profits, to Nkr302m.

Statoil said the average

price of benchmark Brent Blend crude oil was Nkr105 a barrel for the quarter, compared with Nkr140 for the year-ago period.

Operating profits for upstream activities were Nkr3.4bn, a fall of Nkr1.6bn, while equity oil production climbed 6 per cent to 453,000 barrels a day.

Crude sales averaged 2m b/d against 2.2m b/d last time, with the decline blamed on reduced trading in purchased oil.

However, gas sales

climbed to 25.2m cubic metres a day from 21.7m in the year-ago period.

Statoil said the strong improvement in downstream activities reflected "higher margins for the refineries and for retail marketing, as well as cost savings".

It said petrochemicals also showed an improvement, with operating profits more than doubling to Nkr243m. Results from the shipping business had been "on a par" with the first quarter of 1997.

75

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TELECOMMUNICATIONS ALLIANCE BETWEEN RWE, VEDA AND BELL SOUTH REQUIRES APPROVAL FROM UK GROUP

Vodafone yet to decide on US-German deal

By Lucy Smy in Bonn and Alan Cane in London

RWE and Veda, the German utilities that are joint owners of o.tel.o, the new fixed wire telecommunications operator, yesterday announced a deal under which BellSouth, the US regional telecoms operator, would acquire a stake in o.tel.o. The three companies had been negotiating for almost a year.

The deal will provide o.tel.o with a large and experienced partner to fill the

gap left by the withdrawal last year of the UK company, Cable and Wireless, from an alliance with Veda.

Atlanta-based BellSouth expects to benefit through accelerated expansion of its international operations.

However, the financial structure of the deal means that the consent of the UK mobile operator Vodafone must be obtained, because it requires a share swap involving another German company, E-Plus, the country's third largest mobile phone operator.

The plan is for BellSouth to transfer its 22.5 per cent stake in E-Plus to o.tel.o, giving the US operator a 15.5 per cent stake in the German fixed-line operator. O.tel.o, which already owns 60.25 per cent of E-Plus, would have 62.75 per cent of the company.

Vodafone, which holds the remaining 17.25 per cent of E-Plus and has a veto on the deal, said yesterday that it was talking to RWE and Veda but that no decision had been reached. The German partners said they did

not expect a decision from Vodafone until the summer.

If Vodafone's approval is not forthcoming, BellSouth plans a cash purchase of 10 per cent of o.tel.o for an undisclosed price.

Ulrich Hartmann, Veda chief executive, was yesterday upbeat about the link, saying: "Partnering with BellSouth will bring o.tel.o a decisive step forward." He praised the US company's "exceptional technological expertise and its far-reaching marketing savvy".

Viag Interkom, the Ger-

man, British and Norwegian telecoms venture, yesterday announced it would launch its fixed wire telecoms service in Germany tomorrow. Called "Fon-service", it has doubled its estimated customer forecast from 90,000 to 180,000 this year.

The company has also given details of a discount scheme for private customers called "friends and company". The scheme will give a 15 per cent discount on calls to 15 most used numbers including five foreign numbers.

Viag Interkom, owned by Germany's Viag, British Telecom's Viag, and Telenor of Norway, plans to launch a mobile telephone service in Germany in the autumn. This would compete against Deutsche Telekom's D1, Mannesmann's D2, and E-Plus.

The operator is one of a number of new German fixed wire telecoms companies that had to wait until the German telecoms market was liberalised at the start of the year to launch a public switched voice service.

Bayer increase beats forecasts

By Graham Bowley in Frankfurt

Bayer, the German chemical and drugs group, yesterday beat market expectations when it reported a 21 per cent increase in net income, to DM564m (\$482m) in the first quarter.

Shares in Bayer rose DM2 to DM79.80, after the company said sales increased to DM1.5bn, up 8 per cent on the same period a year ago.

However, the company warned that the Asian crisis had triggered a 4 per cent decline in sales in the region. "We, too, felt the effects of the financial turbulence and slower economic growth in the Far East," said Manfred Schneider, chief executive.

Mr Schneider reiterated Bayer's goal of raising both sales and earnings by at least 4 per cent this year. Analysts said the group was being cautious, and that the actual growth rates could be much larger.

"Bayer's growth is likely to slow in the second half of this year but they are being cautious, probably because of Asia," said Martin Wirth, analyst at Bank Julius Baer in Frankfurt.

Bayer said the stronger results in the first quarter were due to "a sustained high level of demand and positive currency movements". Pre-tax income rose 20 per cent to DM1.5bn.

The group had earlier reported that sales last year increased 13 per cent to DM5.6bn. Operating income last year rose 20 per cent to DM5.4bn, in spite of intense competitive price pressures that cost Bayer DM1.5bn in sales revenues.

Mr Schneider stressed the group's main focus would be to expand its life sciences activities. It plans to invest 70 per cent of its DM4.1bn research and development budget in healthcare and agriculture this year.

Bayer's success is in contrast to the pattern at Hoechst, the rival German chemical and pharmaceutical company, which is transforming itself into a purely life sciences company.

The reorganisation at Hoechst has depressed profits, and there are doubts about the profitability of its drugs division, HMR.

Austrian banks struggle to differ

By William Hall in Zurich

Bank Austria and Erste Bank, Austria's two biggest banks, are shaping up for a fight to become the blue-chip stock of the country's banking sector. The stakes are high, in terms of the potential re-rating of the winner, and the task is challenging the skills of both banks' investor relations teams, as both share similar ambitions.

Both have promised to double their earnings over the next three to four years to Sch80 a share, raise their return on equity to 12 per cent and cut their cost-to-income ratio to 65 per cent.

Bank Austria, which is more than twice the size of Erste Bank, is emphasising its headstart in central and eastern Europe, which should soon be contributing 20 per cent of its profits, while Erste Bank's ambition is to be the leading "supra-regional retail bank in central Europe" and Austria's most profitable banking concern.

Bank Austria, which released its final 1997 results yesterday, believes there is no contest. Last year it cut its cost-income ratio from 70.2 per cent to 67.8 per cent and raised its return on

equity from 8.32 per cent to 10.8 per cent. Since the real cost savings from last year's acquisition of Creditanstalt, Austria's second biggest bank, have hardly started flowing, its target of achieving a 12 per cent return on equity by 2001 looks excessively cautious.

By contrast, Erste Bank's first results since its acquisition of GiroCredit, Austria's fourth biggest bank, are less impressive. It did not have Bank Austria's advantage of being able to sell off bits of Creditanstalt's non-core business to cushion its need to take Sch1.4bn (\$111m) of extra provisions to clean up its loan book.

Its net profit, after special provisions and merger-related costs, fell 84 per cent to Sch229m. Before the extra provisions, however, it rose 17 per cent to Sch1.7bn, and on this basis the bank increased its return on equity from 8.5 per cent to 9.7 per cent.

Erste's cost-income ratio rose from 71.5 per cent to 73.5 per cent, and its cost-cutting potential in this area, combined with its highly incentivised management, has led analysts to believe that Erste's profits will grow more quickly than those of Bank Austria.

Erste Bank also lagged

behind Bank Austria in revenue growth. Operating income fell 1.5 per cent, to Sch15.8bn, in 1997, while Bank Austria's income rose 4.2 per cent, to Sch41.5bn.

Gerhard Randa, Bank Austria chief executive, says his group's business grew twice as fast as the market last year and that Creditanstalt not only held on to its customer base, but added corporate customers. In the first quarter of 1998 Bank Austria's operating income rose 6.9 per cent, while Erste Bank's income rose 7.7 per cent.

The decline in Bank Austria's loan-loss provisions from 1.0 per cent of the loan portfolio in 1995 to 0.61 per cent in 1997 is another reason for its superior performance over its smaller rival.

Erste Bank, whose shares are up by nearly a third since its stock market debut last December, is selling on 18 times 1998 consensus earnings, while Bank Austria, whose shares are up over 50 per cent this year, are trading on 17 times estimated earnings.

Erste Bank has already simplified its capital structure and Bank Austria should have a single share by the summer. The free float in the shares of both



Gerhard Randa: Bank Austria grew twice as fast as market

banks has been substantially increased and both banks boast strong savings bank connections.

The biggest challenge for both banks, as they set off

on their international investor roadshows, is to convince international investors that they have less in common than first meets the eye.

Hapag seeks shipping volume growth of 27%

By Charles Batistoni, Transport Correspondent

Hapag-Lloyd, the German shipping and tourism group, is looking to expand the volumes handled by its container shipping business by 27 per cent this year.

However, the group said yesterday that the turmoil in the Asian economies meant there was unlikely to be any increase in container profits.

The company, acquired last September by Preussag, the German conglomerate, expects to increase the number of standard-sized containers shipped by 300,000 to 1.4m by increasing capacity on routes within Asia and across the Pacific.

However, the imbalance between shipments to Asia, which have fallen, and shipments from Asia, which

have risen as local currencies have devalued, made it difficult for container lines to increase profits, said Günther Casjens, director.

Hapag expects operating profits from container shipping to "match" last year's DM85m (\$47.4m) - up from DM48m the year before - when freight rates, expressed in US dollars, fell by between 7 per cent and 14 per cent. A further fall is expected this year.

The number of "boxes" handled in the first quarter of 1998 rose 23 per cent, following a 12 per cent rise in the whole of 1997.

Container shipping accounted for DM2.8bn of sales in the year ended December, or 55 per cent of the group total.

Hapag plans to order four new 4,800-container vessels in the next few weeks and

plans total container shipping spending of DM1.2bn, half on ships, over the next five years.

Total pre-tax profits rose 35 per cent to DM185m last year on turnover up 12 per cent to DM5bn. The dividend rose from DM18 to DM20.

Tourism contributed DM175m to operating profits, compared with DM180m last time. The business accounted for 38 per cent of turnover.

Hapag plans to increase its holding in TUI, the largest European tour operator, from 30 per cent to just over 50 per cent by September at a cost of about DM500m.

Preussag, whose takeover of La Magona d'Italia, an important participant in the transformation of flat carbon steel products in Italy with annual turnover of about \$470m.

Usinor to take stake in Italian steel mill

By David Owen in Paris

Usinor, the French steel-maker, is poised to reinforce further its presence in Italy by taking a stake in Arvedi, a local mini-mill.

The planned deal, in association with Lucchini, another Italian steelmaker, is the second important move in the country announced by the company in little more than a month.

In March, Usinor said it was acquiring from Lucchini the 51 per cent of Lufria it did not already own. Lufria holds nearly all the capital of La Magona d'Italia, an important participant in the transformation of flat carbon steel products in Italy with annual turnover of about \$470m.

Under the more recent project, Usinor would take a 40 per cent stake in Finarvedi, the Arvedi group holding company, with the remaining 60 per cent taken by a new company owned equally by Lucchini and the current Finarvedi shareholders. Financial details were not disclosed.

Arvedi produces about 850,000 tonnes a year of flat carbon steel. Its turnover last year totalled about L1,000bn (\$564m).

Terence Sinclair, an analyst with Salomon Smith Barney in London, said yesterday the move would give Usinor the opportunity to explore mini mill technology. But, he emphasised, the planned deal was also "a vote in Italy. I give as much emphasis to Italy as the technology," he said.

Earlier this year, Usinor reported a 37 per cent advance in annual profits from FF1.5bn to FF2.1bn (\$345m) after a year in which it lost the contest for Spain's Acerria but brought Unimetal, its problem unit, to the verge of break-even.

It has expressed interest in forming a possible partnership with Cockerill Sambre should the Belgian group decide to forge an alliance. Francis Mer, chairman, has said the group is not seeking just "to add tonnage to tonnage", but to identify opportunities to capitalise further on its strengths.

Government to rescue Postabank

By Kester Eddy in Budapest

The Hungarian government will step in to rescue the ailing Postabank, because of a delay in an alternative plan by a UK investment bank.

The government said yesterday it would provide a cash injection of Ft24bn to recapitalize the bank, the country's fourth largest with assets Ft385bn (\$1.8bn).

It said the move was necessary because Singer & Friedlander of the UK had not supplied documents from its own regulators.

Negotiations have been under way for some weeks between S&F and the Hungarian authorities on a complicated deal to provide cash for Postabank which involves the sale of Russian state debt owed to Hungary from the communist era. A trust set up on behalf of clients by S&F in the Isle of

Man was to buy \$300m of the debt at a 50-60 per cent discount, with payment not due for two years.

The funds would, in the meantime, sell on the debt for \$100m to Russian gas monopoly Gazprom, which would use it to pay off back taxes to the Russian ministry of finance.

The \$100m in cash held by the funds would be used to bolster Postabank, giving the trust stakes in the bank, which would be sold on to a strategic investor in the second half of the year.

Elemer Kiss, government spokesman, said yesterday S&F could still take a stake in the bank if it provided the documents in the near future.

Victor Segal, Singer & Friedlander international director, said he had not been informed of the Hungarian government's decision.

NEWS DIGEST

HEALTHCARE

UK minister blocks Fresenius, Caremark deal

An ambitious expansion programme at Fresenius, the German healthcare and medical equipment group, hit a snag yesterday when the UK government blocked its takeover of the UK operations of Caremark, the patient home-care business. Nigel Griffiths, the competition and consumer affairs minister, said he had accepted the recommendations of the Monopolies and Mergers Commission that the deal, announced last August, should be blocked.

The MMC found that Fresenius and Caremark together would account for more than 80 per cent of the market for homecare in parenteral - or non-alimentary canal - nutrition. Fresenius' Homecare division in the UK yesterday expressed dismay at the minister's decision.

Carol Withenshaw, director, said: "With the purchase of Caremark's businesses completed in the Netherlands, Germany, Canada and France, we are naturally disappointed that the minister has accepted the MMC's recommendation that the proposed UK merger should not go ahead." Mark Mulligan

HOUSEHOLD GOODS

Moulinex optimistic

Moulinex, the French household appliances group, has indicated it expects to unveil doubled operating profits for the year to March 1998, confirming its recovery. The company said its provisional operating result "could reach about FF220m" (\$33m), against FF160m in 1996-97. It put its 1997-98 turnover at FF8.03bn, up from FF7.75bn. Second-half activity had been good everywhere except Germany, "where the market remains difficult".

The group last year returned to the black after five years of losses, reporting a small net attributable profit of FF29m. The turnaround followed a painful restructuring plan. David Owen, Paris

FOOTBALL

Lazio shares in heavy demand

The first public share offer by an Italian Serie A (premier league) soccer club was heavily subscribed, with heavy demand for Lazio shares from both small savers and fans as well as Italian and foreign institutional investors. A total of 20m shares priced at L5,900 each were on offer, raising L118bn (\$67m) for the Rome club that last night won the Italian cup against AC Milan soon after its share offer closed.

The offer for small investors involving a total of 5m shares was more than 10 times subscribed, while the offer reserved for institutions involving 15m shares was more than five times subscribed. The shares will make their debut on the Milan stock exchange on 6 May. Paul Betts, Milan

GENERALE DE BANQUE

Board to meet on Fortis link

The board of Générale de Banque, Belgium's biggest bank, will gather on Monday for what could be a decisive meeting on plans for a link with Fortis, the Belgo-Dutch financial services group. Directors met this week for a report on the progress of talks with Fortis, and contacts with other potential partners, and agreed to reconvene on Monday - a week earlier than the previously scheduled next meeting on May 12.

Directors are understood to have agreed yesterday that Fortis should not have access to Générale de Banque's books until an agreement is reached.

The bank's main shareholders, Société Générale de Belgique - controlled by France's Suez Lyonnaise des Eaux - are pushing hard for a merger of Générale de Banque and the banking interests of Fortis. But the bank's management are known to have a number of reservations about the plans. Neil Buckley, Brussels

BENCKISER

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given of the Annual General Meeting of Shareholders of the "Annual Meeting" of Benckiser N.V. (the "Company") which will be held at 14.00 p.m. on Tuesday, May 26, 1998, at the Hotel de Ville, Schiphol Airport, the Netherlands.

The agenda for the Annual Meeting, containing proposals made by the Supervisory Board and the Management Board, follows:

- Opening by the Chairman of the Supervisory Board
- Report of the Management Board on the course of the Company's business and the conduct of its affairs during, and the annual accounts for the fiscal year ended December 31, 1997 ("fiscal 1997")
- Report of the Supervisory Board on the annual accounts for fiscal 1997, including reasons for the Recommendations of the Dutch Committee on Corporate Governance.
- Annual accounts for fiscal 1997
 - Proposal to adopt the annual accounts for fiscal 1997, including allocation of profits to reserve as determined by the Supervisory Board and approval to prepare the current and future Company's annual accounts, as well as reports of the Management Board and the Supervisory Board, in the English language.
 - Proposal to approve the management performed by the Management Board and the Supervisory Board during fiscal 1997, including discharge from liability in respect of the exercise of their duties during fiscal 1997.
- Proposal to set the number of members of the Supervisory Board at seven, to approve the composition of the members of the Supervisory Board and to appoint seven persons as members of the Supervisory Board for a one-year term.
- Proposal to approve the registered accountant of the Company.
- Proposal to extend the authority of the Management Board to repurchase shares of the Company's share capital for a period of 18 months (until November 26, 1999).
- Questions.
- Adjournment.

Copies of the annual accounts for fiscal 1997, the report of the Supervisory Board, the report of the Management Board, the list of nominees for the Supervisory Board and the information sent to the holders of registered shares can be obtained free of charge by shareholders and others entitled to attend the meeting and their representatives at the office of the Company at WTC AA Schiphol Boulevard 229, 1118 BH Schiphol Airport, the Netherlands, at ABN AMRO Bank N.V., Haringvliet 565, 1017 CE Amsterdam, the Netherlands, and at Morgan Guaranty Trust Company of New York, 60 Wall Street, 36th Floor, New York, New York, 10048-4000, U.S.A., from the date hereof until the close of the Annual Meeting.

Holders of bearer shares, who wish to attend the meeting or who wish to be represented at the meeting, are required to deposit their proof of ownership at ABN AMRO Bank N.V., Haringvliet 565, 1017 CE Amsterdam, the Netherlands, not later than May 20, 1998, in exchange for which a receipt will be issued which has to be shown at the Annual Meeting. Holders of bearer shares who wish to be represented at the meeting by proxy, are furthermore required to inform ABN AMRO Bank N.V. of the name of their representative, not later than May 20, 1998.

A proxy statement, together with an attendance form and form of proxy, may be obtained by registered shareholders on or about May 1, 1998. Registered shareholders wishing to exercise their shareholder rights, either in person or by proxy, are required to complete, sign and send the attendance form or proxy card, such that the attendance form or proxy card will be received by no later than 5.00 p.m. (New York time) on May 20, 1998 at the offices of Morgan Guaranty Trust Company of New York, P.O. Box 9505, Boston, Massachusetts, 02205-9505, U.S.A. (the Transfer Agent of such shares). Registered shareholders may only exercise their shareholder rights for the shares registered in their name on the day of the meeting.

Registered holders of type B shares, as referred to in Article 5.3 (ii) of the Articles of Association, are required to state the serial number of the share certificates on the attendance form or proxy card.

The Company will send a card of admission to registered shareholders that have properly notified the company of their intention to attend the Annual Meeting.

The Management Board
Schiphol
May 1, 1998

75

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AND MADE
THEM GO A
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When a Tampa-based management team formed one of the first competitive local exchange carriers (CLEC), they needed equally innovative financing to back their plan. Bear Stearns crafted the IPO, then kept going, delivering fifteen different financings in five years, each customized to meet our client's specific needs at that stage of their growth cycle. Today they're one of the country's largest providers of bundled communications services to business customers.

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MEDICAL TECHNOLOGY SPACE SPIN-OFFS

Orbital solutions have a down-to-earth appeal

Medical uses for products developed by space agencies are bringing benefits for both parties, says **Miranda Eadie**

Nasa had to design something cool for astronauts to slip into because they can become overheated in their cumbersome space suits. Back on earth, these cool suits could soon be adapted to make life easier for people with multiple sclerosis.

Anecdotal evidence suggests that cooling down MS patients - for example, by immersing them in cold water - can improve strength, endurance, motor control and balance.

In 1984 Nasa teamed up with the Multiple Sclerosis Association of America to develop and evaluate a prototype cool suit for MS patients. The team was joined last year by Lockheed Martin, the US space and defence contractor.

Co-operation between the space and medical industries is an aim of the technology transfer programmes run by Nasa and the European Space Agency (Esa). These programmes encourage other fields and industries to use products and technologies developed for space.

Philippe Willekens, Esa industrial marketing manager, says: "It helps create new business for space industries, helps them survive in a world where public funding is decreasing."

There is a particularly large cross over into medicine. There is a common interest in sensors and instrumentation, particu-

larly in imaging.

There are also synergies in areas such as robotics and remote control, as well as in the need for new materials.

When Esa's technology transfer programme began, it sought applications for existing technologies. Today Esa hopes to identify alternative end-users for particular technologies before development begins.

"This not only splits the development costs - it also means there are fewer problems in adaptation of the product," says Mr Willekens.

Early in the programme a stretchy space suit fitted with sensors known as ANBRE (Analogous Biomechanics Recorder), developed to monitor an astronaut's movements in orbit, was considered for use with babies. The idea was that the suit could be adapted to help prevent sudden infant death syndrome, or cot death, which occurs when babies stop breathing. Pyjamas fitted with sensors monitored a sleeping baby's breathing. Sensors were linked to an alarm that would go off if the infant stopped breathing for 10-20 seconds.

"If Esa were to develop ANBRE today, before work began it would approach doctors in hospitals and people working in the 3-D animation and entertainment businesses to try to find partners that might be interested in jointly developing the suit from the begin-

ning," says Mr Willekens.

Most of the links between the space and medical industries have involved transferring existing or closely related technologies.

Commercial derivatives of the imaging Charge Coupled Devices (CCDs) used on the Hubble Space Telescope are being applied in x-ray imaging devices called Stereoguides, transforming breast biopsies.

Imaging devices used on the Hubble telescope are transforming breast biopsies

Conventional imaging techniques used in breast biopsies do not produce images of high enough resolution to be able to detect exactly where the lumps are. In order to take a tissue sample for analysis surgeons must cut open the breast and perform an exploratory operation.

The technique, which uses the super advanced CCDs based on those in Hubble, provides far more precise images of the breast. Doctors see exactly where the lumps are and take a sample, without an operation.

"This means the biopsy can be carried out with a

needle instead of a scalpel. It leaves a small puncture as opposed to a large scar and is performed as an office procedure under a local rather than a general anaesthetic," says Carolyn Krebs of the Nasa Goddard Space Flight Center. The technique costs \$850 against \$3,500 for traditional surgery. With more than 500,000 American women having breast biopsies, that represents potential savings in the US of about \$1bn annually.

Nasa provided funding and worked with Oregon-based Scientific Imaging Technologies for four years to make CCDs commercially available. Scientific Imaging Technologies supplies the CCDs to Connecticut-based Lorad for incorporation into the Stereoguides.

Another successful Nasa transfer gave sight to people registered as blind. The low-vision enhancement system consists of a pair of wrap-around video screens worn like sunglasses and a control belt pack computer. It uses technologies originally developed for computer processing of satellite images and for head-mounted virtual environment systems. It was developed by collabora-

tions between Nasa's Stennis Space Center and the Johns Hopkins Wilmer Eye Institute in Baltimore.

UK companies have also been involved in the space spin-off programme. Products include the AromaScanner system, which helps to diagnose diseases and is on trial at the Withington



From Nasa to nursery: a dual-use suit for astronauts and babies

Hospital in Manchester.

The AromaScanner works like an artificial nose and is based on polymer sensors that mimic the sense of smell. When the sensors are exposed to swabs taken from a wound, they pick up the chemicals in the smell coming from the swab and, by a series of comparisons, identify the bacteria.

"This AromaScanner method of disease identification could replace conventional microbiological methods, where swabs are taken from the wound and tested in the laboratory," says Barbara Crawley, medical research technician at the

Withington Hospital.

The system, developed at the University of Manchester Institute of Science and Technology, is instantaneous, compared with microbiological methods that may take 72 hours. Doctors may immediately prescribe the appropriate antibiotic.

Esa invested in the system to develop a device to monitor spacecraft cabin air. It also led to a commercial system for odour quality control in the food and cosmetic industries.

This article is part of a continuing series on medical technology.

MANAGEMENT WOMEN IN THE WORKPLACE

And the bad news is...

Victoria Griffith finds an author's triumphalist talk a little premature

Success On Our Own Terms is an unabashed feelgood book about the progress US women have made in the corporate world in the past two decades. Author Virginia O'Brien calls it a "collective celebration".

She studiously plays down the bad news - that few big corporations are headed by women, and that women earn a fraction of what men make - to look on the bright side. To the study that showed nearly one-fifth of Fortune 500 companies do not have women directors, she responds: "Well, that's true, but the flip side is that four out of five companies do have female representation."

Ms O'Brien is proud that most of the women featured work for companies widely known to be female-friendly. **Success On Our Own Terms** is a series of interviews with women happy in their jobs. The author focuses on middle-managers - the success stories that she complains are not told in the press.

There are nuggets of advice for career advancement. Cathy Spotts, vice-president at Baxter Healthcare Corporation, tells us it is important to take on jobs that allow you not only to leverage your skills but to acquire expertise.

Lynn Crump, who scouts sites for new McDonald's restaurants, wisely points out

that having a mentor does not guarantee advancement.

Success On Our Own Terms also has some interesting passages on work-family balance, including the stories of women who have made a success of job sharing and telecommuting.

Yet Ms O'Brien's failure to ask difficult questions erodes the book's value. A study she conducted points to a perception gap. While three-quarters of female respondents were satisfied with their own career, about the same number were unhappy with the advancement of women in general.

She blames this perception gap on the media, which she says concentrate on the bad news. She argues that while women may be pleased with their own situation, media reports give them the impression that they must be among the fortunate few.

The truth may be more complex. Why are women satisfied with lower personal achievement in business, even as they condemn unfairness in society in general? Perhaps they have been conditioned to want less. Perhaps they are more interested in life outside the office. Or perhaps they consider it a waste of time to covet positions that are simply not open to them.

While it is encouraging to look on the bright side now and then, the complacency seems to recommend may do little to advance women in the workplace.

***Success On Our Own Terms** by Virginia O'Brien. John Wiley & Sons. \$22.95.



NORMA COHEN
THE PROPERTY MARKET

Unlocking the value of bricks and mortar

Property costs may amount to 30 per cent of a company's operating overheads

Every so often, the public sector seems more nimble and clever than the private sector, and real estate has been a shining example.

In the 1980s in Britain, for instance, government agencies led the way in outsourcing their building management operations. And the Department of Social Security's deal to sell 700 of its properties to the Goldman Sachs-backed consortium which would own, operate and redevelop the sites has been a mould-breaker for corporate property ownership.

Most recently, Spanish telecoms group, Telefonica, has hired Bankers Trust to consider how best to spin off the company's nearly \$3bn (£1.9bn) in property assets into a separate company with a focused management. The company is now privatised, but only newly so, and its enormous real estate portfolio is a vestige of its former public status. The question is whether Telefonica's decision, which is understood to create ultimately Spain's largest listed property company, will inspire other corporations to try to unlock the value held in bricks, mortar and land.

The real estate group of Ernst & Young, the accountancy firm, has recently produced a report concluding that companies can improve returns on capital by disposing of their real estate assets.

The catalyst for the research, says Penny Wesley, executive consultant and head of corporate real estate, has been the activity in the public sector. "The government sector has been leading the way."

Arguably, the trend suggests that taxpayers have been more effective in demanding performance than have shareholders, a conclusion which speaks poorly for the latter group.

There are signs that in the US, at least, the message is getting through. John Coppedge, senior director of central and western European and Asian property at consultants Healey & Baker, says corporations often own property for the wrong reasons.

"They like having their own headquarters," he says. "It is a monument to

themselves." But the taste for corporate ownership of real estate, spurred by the soaring market of the 1980s, soured during the recession.

"IBM is the best example of this," he says. "When the market stopped and the recession started, IBM said 'Wait a minute, what are we doing?'"

According to E&Y, property costs are typically 20 to 30 per cent of operating overheads, second or third only to personnel costs. Ms Wesley points out that in addition to the capital tied up in corporate ownership, companies have had to retain extensive property departments to manage estates. These are not necessarily infused with the appropriate entrepreneurial culture which will allow them to extract the most value from their assets.

"Real estate team leaders are too focused on low, added-value property issues and hence are poorly equipped to contribute at board level regarding strategic issues such as ownership and finance," the E&Y report concludes.

E&Y's research shows that UK corporate ownership of real estate is highest in the banking and retailing sectors where the businesses need to occupy a large number of disparate sites. At food retailer Safeway, for instance, roughly two-thirds of total assets were freehold real estate as of the year ended March 29, 1997.

If UK shareholders have not been in the habit of questioning corporate property ownership, perhaps the export of US analytical methodology will force some changes. E&Y notes the growing use by shareholders

of so-called Economic Value Added (EVA) methodology from the US, which attempts to measure returns on capital from underlying income, and to compare that against a corporation's own weighted average cost of capital (WACC).

Companies are being forced to demonstrate that their investments earn higher returns than the cost of capital, and those investments include bricks and mortar.

The US investment bank J.P. Morgan, in a sample exercise illustrating an EVA analysis, concluded that UK supermarket chain Sainsbury's could increase its share price by 10 per cent by reducing its fixed assets to 40.9 per cent of sales from 43 per cent. Sainsbury's, according to E&Y, had slightly more than half its assets in freehold properties as of March 1997.

E&Y, in a sample exercise of its own based on an unnamed UK financial services company, concluded that even with all the costs associated with renting, rates of return may be increased by 17 per cent to 36.5 per cent from 30 per cent by disposing of a real estate portfolio in its entirety. The analysis assumed that the company earned a rate of return on property of 2 per cent.

Ms Wesley cautions that there remain several good reasons for corporations to continue to own their own buildings. For one thing, many older properties are held on balance sheets at book value, tying up little capital in the first place. Also, in the US, depreciation is a tax-deductible expense which can shield income. Selling a building means giving up that tax break.

Moreover, selling a building and leasing it back means taking on a new expense - rents. And renting means seeking the landlord's permission every time the tenant wishes to remodel the premises, allowing occupiers to be held hostage to landlords' demands. Some properties are unique to the needs of the corporate occupier. To risk selling a property under such circumstances is plain foolishness.

Nevertheless, E&Y argues, it is worth a corporation considering a long-term strategy for its occupancy needs and only then decide what it should own.

THE PROPERTY MARKET

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INTERNATIONAL CAPITAL MARKETS

US Treasuries lead prices higher

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Prices posted good gains across the board yesterday after economic data showing the US economy growing strongly without obvious inflationary pressures eased the threat of an imminent interest rate rise by the Federal Reserve.

The rally was led by the US TREASURY market, which soared more than one full percentage point shortly after the widely-watched employment cost index, a measure of inflationary pressures, was shown to have risen less than expected. US gross domestic product in the first quarter also rose by a wider margin than had been forecast.

Investors were again taken by surprise by the continuing combination of strong

macroeconomic growth with low pricing pressures in the first quarter of 1998. The employment cost index rose 0.7 per cent in the first quarter, while GDP rose 4.2 per cent compared with forecasts of about 3.3 per cent.

European markets also jumped on the data, recouping losses incurred after a run of poor sessions caused by concern over interest rate rise fears on both sides of the Atlantic.

"Markets had got a little too pessimistic about the risks of an interest rate rise, and I've got to say the reaction [yesterday] has been a little overdone," said Jeremy Hawkins, chief economist at Bank of America in London. "The markets went into the figures short, got caught out, and there was a lot of rebuying coming through."

The data allowed Treasuries to shake off recent

sluggishness as prices rallied strongly, ending the long bond yield back below the 6 per cent level. By early afternoon the benchmark 30-year Treasury had surged 1 1/2 to 10 1/2, yielding 5.97 per cent.

Shorter-term issues also advanced. The two-year note rose 1/4 to 100 1/4, yielding 5.6 per cent, while the 10-year note gained 1/4 to 98 1/4, yielding 5.66 per cent.

"The ECI came in lower than expected, which is very positive," said William Gamba, manager of bond trading at Cowen & Co in New York.

Enthusiasm was further bolstered by the release of the Chicago Purchasing Management Report. The business

barometer index fell to 58.6 in April, a sign of slightly diminished strength, and down from 59.5 in March.

In Europe, GERMAN BONDS shrugged off unease over the Bundesbank's

stance on interest rates after the central bank left its interest rate regime unchanged at its regular council meeting.

The market also took heart from politicians' insistence that the dispute over who should head the European Central Bank would be settled at the weekend's EU summit in Brussels.

There have been fears that if it is not settled - ideally with Wim Duisenberg, the markets' favourite, getting a full eight-year term - foreign exchange markets could face a rough ride next week.

Analysts said markets were poised to strengthen but needed the US lead. "Bond investors don't really think there is an inflation problem. Every investor is looking to buy on any setbacks," said Kit Juckes, at NatWest Markets.

Kazakh oil finances put under review

By Anthony Robinson

The Kazakh government is discussing the possible sale of a 20 per cent stake in Kazakh oil or a bond issue for the state-owned oil company. It expects to make a decision later this year, Zhakyp Marabaev, first vice-president of Kazakh oil, said in London yesterday.

"Some entities currently managed by Kazakh oil will be taken fully into the company to strengthen it before going to market," he added.

Kazakh oil has already appointed accountants to run a financial audit of the company. It is also talking with Goldman Sachs and Merrill Lynch "to run a technical audit and get a better picture of the company," Mr Marabaev said. "We have not yet decided who we will choose as advisers and neither have we made any decisions on the way we will raise money."

NEWS DIGEST

FRANCE

Restaurant chain sets price for IPO

Groupe Flo, the French restaurant chain, set a price of FF185 a share yesterday for its initial public offering, valuing the company at FF688m (\$115m). The group, which will be listed on the Second Market in Paris on May 6, is offering just over 857,000 shares, with 85 per cent going to institutional investors and the rest to French retail investors.

The seller is Crédit Lyonnais, which will see its stake in Groupe Flo reduced to 13.5 per cent as a result. Control of the group will remain with the founding Bucher family, which retains a stake of nearly 60 per cent.

The price per share is at the top of an indicative range of FF165 to FF185 set last week. Crédit Lyonnais, which is also lead manager for the transaction, will raise about FF160m from the sale, which will see just over 23 per cent of the company's shares listed.

Groupe Flo owns La Coupole, one of the best-known restaurants in Paris, as well as chains of brasseries. While 90 per cent of its turnover is in France, it has embarked on an expansion strategy abroad. Vincent Boland

EURO INTEREST RATE FUTURES

'Respectable' debut on Liffe

The London International Financial Futures and Options Exchange said there was respectable turnover in the first day of trading on its three-month euro-denominated interest rate future. The new product, which was launched just in advance of the meeting to fix the bilateral rates of the entrants to European monetary union in Brussels this weekend, saw turnover of 3,000 contracts.

A total of 18 delivery months are traded which means that some of the contracts will be converted from the euro into the pound (on a one-to-one basis) for settlement after next January. Volumes are expected to pick up towards the fourth quarter. The derivatives (including an option) are benchmarked against the London interbank offer rate as opposed to the continental reference rate known as Euribor. Edward Luce

RUSSIAN ENERGY

Gazprom to raise \$230m

Gazprom, the Russian energy group, is raising \$230m through an unsecured syndicated credit. Deutsche Bank, lead manager, said yesterday. The 12-month credit will be used to help finance its investment programme. No terms were given but the bank said these would be at normal market levels.

The signing of the credit was announced as Deutsche Bank, Germany's largest, opened its new subsidiary in Moscow, which has been upgraded from representative office status after the granting of a banking licence. Andrew Fisher, Moscow

Debut from TCI Communications

INTERNATIONAL BONDS

By Edward Luce

TCI Communications, the leading cable TV company in the US, made its debut international offering yesterday with a \$750m global issue.

In spite of having credit ratings of just BBB minus and Ba3, TCI was able to price the offering at a relatively tight spread of 70 basis points over the when-issued five-year Treasury.

An official at CSFB, joint lead with Lehman Brothers, said the company benefited from its comparatively favourable pricing in the US and from the fact that Europe's funds remain starved of higher-yielding

corporate paper, in spite of having limbered up for an onslaught in advance of monetary union.

In addition, cable TV and other telephony-related corporates are particularly in demand given the high-growth nature of the sector, the official added. "Investors are prepared to pay a little bit extra for such a big name," said the banker.

The bond, which tightened by a basis point after launch, was priced seven basis points through the recent five-year offering from Rothmans in spite of the latter's much higher credit rating. "For a cable company versus a cigarette company the choice is relatively simple," said one trader.

New international bond issues

Issuer	Amount	Coupon	Price	Maturity	Yield	Spread	Book-ender
US DOLLARS							
Enterprise Oil plc	100	6.500%	99.52%	May 2005	6.825%	+73bp (Nov/05)	Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2010	8.875%	+100bp (Nov/05)	Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2015	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2020	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2025	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2030	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2035	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2040	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2045	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2050	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2055	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2060	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2065	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2070	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2075	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2080	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2085	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2090	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2095	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2100	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2105	undated		Lehman Brothers
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Enterprise Oil plc	200	7.000%	99.27%	May 2540	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2545	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2550	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2555	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2560	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2565	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2570	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2575	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2580	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2585	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2590	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2595	undated		Lehman Brothers
Enterprise Oil plc	200	7.000%	99.27%	May 2600			

COMMODITIES & AGRICULTURE

Consortium makes big oil discovery in North Sea

By Arkady Ostrovsky

An oil consortium led by Amoco of the US has made a large oil discovery in the Norwegian section of the North Sea which could open recoverable reserves of up to 600m barrels of oil equivalent.

The consortium comprises Enterprise Oil, the UK's largest independent oil producer, with 25 per cent, Statoil of Norway with 30 per cent and Mobil with 15 per cent.

The field, which lies offshore mid-Norway between Norne and Heidrun producing fields, is operated by Amoco with 30 per cent interest. Known as Donatello, it is one of the largest oil discoveries made in the North Sea over the past few years. It is estimated to contain between 200m and 500m barrels of oil equivalent, compared with 600m barrels of oil equivalent at Norne and 1bn barrels at Heidrun.

Andrew Armour, exploration director at Enterprise Oil, said the value of the field would be driven by the split between oil and gas in the field. "The higher the content of oil, the greater the value of the field," he explained. Wood Mackenzie, the broker, estimates the field to contain 250m barrels of oil and 1,000bn cu ft of gas. "It is certainly a significant commercial discovery for the North Sea, but it would

require capital investment of between \$1.5bn and \$2.5bn," James Elston, analyst at Wood Mackenzie said. The discovery is particularly good news for Enterprise Oil, which issued a veiled profit warning last November and said it would not meet its production targets. Enterprise, which has total reserves of 1.6bn barrels of oil, has recently increased its interest in the area adjacent to Donatello to 40 per cent.

"The surrounding acreage could have a similar or greater potential than Donatello," Mr Armour said. Enterprise hailed the discovery as a confirmation of its geological forecasts. It said that it was drilled in an area that has previously been explored without success by Saga Petroleum, Norway's largest independent oil producer. The drilling took place in a

water depth of 327 metres and was terminated in rock of Jurassic age. "Donatello showed that our geological model was accurate. We believe it is crucial to put the exploration and the deal making sides together," Mr Armour said. "We will now seek to exploit our increased presence in the Norne-Donatello trend to maximize the value of our assets," he added. "An initial step will be appraisal of Donatello which we hope to begin in 1999."

Enterprise said that in spite of high taxes, Norway was a favourable area for exploration, because its tax regime reduced exposure to the fluctuation in oil prices. But Mr Elston said the success of the consortium would also depend on the Norwegian government, which has recently postponed several oil development projects in the North Sea in an attempt to cool its economy.

Nickel off despite closure

MARKETS REPORT
By Kenneth Gooding

Nickel's price fell on the London Metal Exchange yesterday, brushing aside news that Outokumpu of Finland was to shut its 3,000 tonnes a year Itävaara mine because of low prices. The metal at first broke through \$5,700 but ended down \$40 a tonne at \$5,660.

Zinc, which closed \$6 a tonne lower at \$1,101, was in the spotlight at Metal Bulletin's annual zinc conference in Birmingham. Jim Lennon of Macquarie bank suggested the price would average \$1,157 this year rising to \$1,267 in 1999. Martin Squires of Rudolf Wolff forecast \$1,180 this year against \$1,318 in 1997. Gold failed to take heart from a prediction by the governor of Portugal's central bank that it would form 10-20 per cent of the European Central Bank reserves.

Resolute joins Gold Mines Index

By Kenneth Gooding

Only six years after negotiating financing for its first project, Resolute, an Australian mining company, today becomes part of the FTSE Gold Mines Index because its annual output has reached a sustainable 300,000 Troy ounces. After that first mine, Marysville in Western Australia, Resolute brought four more new mines into production in the next five years, including one in Ghana. As well as exploring in every Australian state and focusing on Africa abroad, Resolute is developing the Bulung nickel project into Australia's first nickel laterite mine.

Bre-X Minerals drama continues in the courts

A year after the Busang gold deposit was revealed as a hoax, Scott Morrison examines the effects on the mining industry and the legal battle still being fought by investors

More than a year has passed since Bre-X Minerals' purported Timbucouba gold deposit in Indonesia was revealed as nothing more than an elaborate hoax.

When the dust settled, the Canadian company's \$36bn (US\$42bn) market capitalisation had been wiped out and Bre-X's worthless shares were delisted.

The drama, which unfolded first in the jungles of Borneo and later on stock markets in North America, is now being played out in courtrooms in Toronto and in a remote corner of Texas, where lawyers have launched lawsuits seeking billions of dollars in damages.

While there is little doubt that Bre-X perpetrated a massive scam, lawyers representing some 2,000 investors say the company and its directors are not the only ones that should be held accountable.

The lawsuits also allege that several brokerage firms issued false and misleading research reports about the

Busang deposit and profited from their association with the company. The plaintiffs' arguments, if they are successful, could set a chilling precedent for the entire brokerage industry.

The Canadian effort to seek redress took a significant step forward in March, when an Ontario judge ruled that plaintiffs could proceed with a \$36bn lawsuit against Bre-X's officials, engineering firms and brokerage houses. The defendants have said they will appeal that ruling.

Decisions by US and Canadian judges on whether to certify both legal moves as class action lawsuits are expected by the summer. Legal scholars say Bre-X's investors face an uphill battle, regardless of whether they take part in the US lawsuit or its Canadian counterpart.

The legal actions pit small investors against nine of the top brokerages in the US and Canada, such as J.P. Morgan, Lehman Brothers, Nesbitt Burns and CIBC Wood

Gundy. The defendants are expected to contest even the most minute legal points. The US case, led by Paul Yetter, a Houston lawyer, alleges that brokerages were negligent in issuing misleading statements proclaiming the company's Busang gold deposit as the largest in the world, and that they also participated in a "fraud on the market", a procedural doctrine under US law.

However, John Coffee, a renowned US securities law expert at Columbia University, says that extending responsibility for a fraud to aiders and abettors "in this case the brokerages that recommended Bre-X stock" would prove difficult under US securities regulations.

The US lawsuit also alleges that Barrick, the Canadian gold producer that tried to negotiate a partnership with Bre-X, disseminated false statements or concealed materially adverse facts. Barrick, however, has said it was prevented from disclosing the results of its due diligence because it signed a

Gambling on gold

David Walsh, Bre-X founder



Source: Donatello/CFI

confidentiality agreement.

The Canadian case is led by Harvey Strosberg, an Ontario lawyer who argues that several brokerages violated the federal Competition Act by making materially false statements to promote a product, in this case Bre-X shares.

If Mr Strosberg proved successful in his claim, it would be the first time legislation against false advertising was applied to securities. "It would affect anyone who expresses an opinion in public about a certain issue that has financial consequences," said one person close to the case.

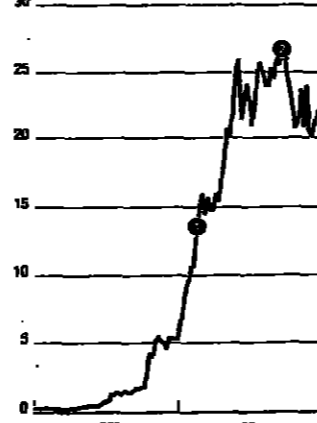
It is far from clear that plaintiff attorneys will succeed in their attempts to hold brokerages liable for

the Bre-X fiasco. Many observers say they have little choice other than to sue deep-pocketed brokerages that promoted the stock, because Bre-X itself is bankrupt and company insiders who profited from the fraud could not cover billions of dollars in claims.

There is a second lawsuit that has cast a wide net to create the impression of a vast fraud perpetrated on investors, thus increasing the likelihood of convincing a court to award damages.

This would be more likely in the US, where courts tend to award larger class action settlements than they do in Canada, where such cases are relatively new.

Bre-X share price (US, suspended May 8 1997)



- Feb 1998 Shares in Bre-X Minerals of Canada climbing on drilling results from Busang gold field in Indonesia. Busang touted as "biggest gold find this century"
- May 1998 Michael Gorman, Bre-X exploration manager, says Busang gold deposit could make Bre-X one of the world's biggest mining companies
- Feb 17 1997 Bre-X raises estimate of Busang gold deposit to 71m ounces
- Mar 19 1998 Gorman fails to die from a helicopter. Suicide note subsequently found
- Mar 26 1998 One-third wiped out of Bre-X shares after President Clinton's group's US partner, says its own drilling has revealed Busang deposit could be "unprofitable". Bre-X shares suspended
- Apr 1 1998 Toronto Stock Exchange computer crashes through weekend after trading resumes in Bre-X shares
- Apr 3 1998 Ontario Securities Commission reveals they have been investigating Bre-X over insider trading allegations
- May 8 1998 Bre-X shares drop after independent audit shows no gold at Busang

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from designated metal trading)

ALUMINIUM, 99.99% (per tonne)

	Cash	3 months
China	1422.5-21.5	1447-47.5
Previous	1428.5-35.5	1464-46
High/Low	1428.5-35.5	1464-46
AM Official	1428.5-35.5	1464-46
AM Official	1428.5-35.5	1464-46
Open int.	254,281	1447-48
Total daily turnover	58,945	

ALUMINIUM ALLOY (per tonne)

	Cash	3 months
China	1295-300	1320-25
Previous	1300-310	1330-31
High/Low	1295-300	1320-25
AM Official	1295-300	1320-25
AM Official	1295-300	1320-25
Open int.	6,881	
Total daily turnover	1,083	

LEAD (per tonne)

	Cash	3 months
China	547-8	561-2
Previous	552-3	565-5-7.0
High/Low	547-8	561-2
AM Official	547-8	561-2
AM Official	547-8	561-2
Open int.	36,061	
Total daily turnover	10,658	

NIOSOL (per tonne)

	Cash	3 months
China	547-8	561-2
Previous	552-3	565-5-7.0
High/Low	547-8	561-2
AM Official	547-8	561-2
AM Official	547-8	561-2
Open int.	36,061	
Total daily turnover	10,658	

TI (per tonne)

	Cash	3 months
China	547-8	561-2
Previous	552-3	565-5-7.0
High/Low	547-8	561-2
AM Official	547-8	561-2
AM Official	547-8	561-2
Open int.	36,061	
Total daily turnover	10,658	

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High/Low	547-8	561-2
AM Official	547-8	561-2
AM Official	547-8	561-2
Open int.	36,061	
Total daily turnover	10,658	

PRECIOUS METALS continued

IN GOLD COMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Vol	Open
May	360.8	-3.7	360.0	359.2	2	360.0
Jun	357.9	-3.7	357.0	356.2	26,616	356.47
Jul	356.9	-3.7	356.0	355.2	625	355.49
Aug	356.9	-3.7	356.0	355.2	303	355.43
Sep	356.9	-3.7	356.0	355.2	329	355.43
Oct	356.9	-3.7	356.0	355.2	312	355.43
Nov	356.9	-3.7	356.0	355.2	312	355.43
Dec	356.9	-3.7	356.0	355.2	312	355.43
Total					32,653	185,083

IN PLATINUM COMEX (50 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Vol	Open
May	400.4	-4.3	400.0	399.6	2,350	12,485
Jun	395.9	-4.3	395.0	394.6	198	659
Jul	395.9	-4.3	395.0	394.6	43	659
Aug	395.9	-4.3	395.0	394.6	1	10
Sep	395.9	-4.3	395.0	394.6	2,648	13,322
Oct	395.9	-4.3	395.0	394.6	2,648	13,322
Nov	395.9	-4.3	395.0	394.6	2,648	13,322
Dec	395.9	-4.3	395.0	394.6	2,648	13,322
Total					2,648	13,322

OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

[illegible]

**BERMUDA
(REGULATED)(**)**

[illegible]

GUERNSEY
FSA RECOGNISED

[illegible]

IRELAND
(PSA RECOGNISED)

[illegible]

	Full Motor	Self
	Charge	Price

www.states.com									
THE INSTITUTIONAL INVESTOR'S CHOICE									
Serving Institutional Investors									
Manager	Net Asset Value	Rating	Assets	YTD	1Y	3Y	5Y	10Y	15Y
GLOBAL INVESTMENT FUNDS									
Global Growth Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Bond Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Natural Resources Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Healthcare Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Technology Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Energy Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Financial Services Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Consumer Goods Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Industrial Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
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Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
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Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Venture Capital Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Real Estate Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Infrastructure Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Environmental Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Social Impact Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Emerging Markets Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Fixed Income Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Dividend Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Small Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Micro Cap Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Hedge Fund	\$1.00	A	\$1.00	1.00	1.00	1.00	1.00	1.00	1.00
Global Private Equity Fund	\$1.00	A	\$1.00	1.00	1.00				

Figure 1[illegible]

• **Prüfung**

JPMorgan Chase & Co.		JPMorgan Chase & Co.		JPMorgan Chase & Co.	
Asset Class	Assets (\$ Bn)	Assets (\$ Bn)	Assets (\$ Bn)	Assets (\$ Bn)	Assets (\$ Bn)
Fixed Income	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Equity	567.89	567.89	567.89	567.89	567.89
Real Estate	123.45	123.45	123.45	123.45	123.45
Commodities	78.90	78.90	78.90	78.90	78.90
Private Equity	345.67	345.67	345.67	345.67	345.67
Alternative Investments	210.98	210.98	210.98	210.98	210.98
Other	98.76	98.76	98.76	98.76	98.76
Total	2,690.11	2,690.11	2,690.11	2,690.11	2,690.11
Global Asset Management (Private) Ltd Assets (\$ Bn): 1,234.56 Liabilities (\$ Bn): 567.89 Net Assets (\$ Bn): 666.67					
Global Asset Management (Public) Ltd Assets (\$ Bn): 567.89 Liabilities (\$ Bn): 123.45 Net Assets (\$ Bn): 444.44					
Global Asset Management (Private) Ltd Assets (\$ Bn): 123.45 Liabilities (\$ Bn): 56.78 Net Assets (\$ Bn): 66.67					
Global Asset Management (Public) Ltd Assets (\$ Bn): 56.78 Liabilities (\$ Bn): 12.34 Net Assets (\$ Bn): 44.44					
Global Asset Management (Private) Ltd Assets (\$ Bn): 12.34 Liabilities (\$ Bn): 5.67 Net Assets (\$ Bn): 6.67					
Global Asset Management (Public) Ltd Assets (\$ Bn): 5.67 Liabilities (\$ Bn): 1.23 Net Assets (\$ Bn): 4.44					
Global Asset Management (Private) Ltd Assets (\$ Bn): 1.23 Liabilities (\$ Bn): 0.56 Net Assets (\$ Bn): 0.67					
Global Asset Management (Public) Ltd Assets (\$ Bn): 0.56 Liabilities (\$ Bn): 0.12 Net Assets (\$ Bn): 0.44					
Global Asset Management (Private) Ltd Assets (\$ Bn): 0.12 Liabilities (\$ Bn): 0.05 Net Assets (\$ Bn): 0.07					
Global Asset Management (Public) Ltd Assets (\$ Bn): 0.05 Liabilities (\$ Bn): 0.01 Net Assets (\$ Bn): 0.04					
Global Asset Management (Private) Ltd Assets (\$ Bn): 0.01 Liabilities (\$ Bn): 0.00 Net Assets (\$ Bn): 0.01					
Global Asset Management (Public) Ltd Assets (\$ Bn): 0.00 Liabilities (\$ Bn): 0.00 Net Assets (\$ Bn): 0.00					

III

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	Salt Water Dr.
	Gorge Pk

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UNITED STATES

Fund Name	Assets	YTD %	12-M %	3-YEAR	5-YEAR	10-YEAR
Academy Capital Fund	\$1.2B	15.2%	12.8%	18.5%	22.1%	25.3%
Academy Capital Fund II	\$1.1B	14.8%	12.5%	18.2%	21.9%	25.0%
Academy Capital Fund III	\$1.0B	14.5%	12.2%	17.9%	21.6%	24.7%
Academy Capital Fund IV	\$0.9B	14.2%	11.9%	17.6%	21.3%	24.4%
Academy Capital Fund V	\$0.8B	13.9%	11.6%	17.3%	21.0%	24.1%
Academy Capital Fund VI	\$0.7B	13.6%	11.3%	17.0%	20.7%	23.8%
Academy Capital Fund VII	\$0.6B	13.3%	11.0%	16.7%	20.4%	23.5%
Academy Capital Fund VIII	\$0.5B	13.0%	10.7%	16.4%	20.1%	23.2%
Academy Capital Fund IX	\$0.4B	12.7%	10.4%	16.1%	19.8%	22.9%
Academy Capital Fund X	\$0.3B	12.4%	10.1%	15.8%	19.5%	22.6%
Academy Capital Fund XI	\$0.2B	12.1%	9.8%	15.5%	19.2%	22.3%
Academy Capital Fund XII	\$0.1B	11.8%	9.5%	15.2%	18.9%	22.0%
Academy Capital Fund XIII	\$0.05B	11.5%	9.2%	14.9%	18.6%	21.7%
Academy Capital Fund XIV	\$0.02B	11.2%	8.9%	14.6%	18.3%	21.4%
Academy Capital Fund XV	\$0.01B	10.9%	8.6%	14.3%	18.0%	21.1%
Academy Capital Fund XVI	\$0.005B	10.6%	8.3%	14.0%	17.7%	20.8%
Academy Capital Fund XVII	\$0.002B	10.3%	8.0%	13.7%	17.4%	20.5%
Academy Capital Fund XVIII	\$0.001B	10.0%	7.7%	13.4%	17.1%	20.2%
Academy Capital Fund XIX	\$0.0005B	9.7%	7.4%	13.1%	16.8%	19.9%
Academy Capital Fund XX	\$0.0002B	9.4%	7.1%	12.8%	16.5%	19.6%
Academy Capital Fund XXI	\$0.0001B	9.1%	6.8%	12.5%	16.2%	19.3%
Academy Capital Fund XXII	\$0.00005B	8.8%	6.5%	12.2%	15.9%	19.0%
Academy Capital Fund XXIII	\$0.00002B	8.5%	6.2%	11.9%	15.6%	18.7%
Academy Capital Fund XXIV	\$0.00001B	8.2%	5.9%	11.6%	15.3%	18.4%
Academy Capital Fund XXV	\$0.000005B	7.9%	5.6%	11.3%	15.0%	18.1%
Academy Capital Fund XXVI	\$0.000002B	7.6%	5.3%	11.0%	14.7%	17.8%
Academy Capital Fund XXVII	\$0.000001B	7.3%	5.0%	10.7%	14.4%	17.5%
Academy Capital Fund XXVIII	\$0.0000005B	7.0%	4.7%	10.4%	14.1%	17.2%
Academy Capital Fund XXIX	\$0.0000002B	6.7%	4.4%	10.1%	13.8%	16.9%
Academy Capital Fund XXX	\$0.0000001B	6.4%	4.1%	9.8%	13.5%	16.6%
Academy Capital Fund XXXI	\$0.00000005B	6.1%	3.8%	9.5%	13.2%	16.3%
Academy Capital Fund XXXII	\$0.00000002B	5.8%	3.5%	9.2%	12.9%	16.0%
Academy Capital Fund XXXIII	\$0.00000001B	5.5%	3.2%	8.9%	12.6%	15.7%
Academy Capital Fund XXXIV	\$0.000000005B	5.2%	2.9%	8.6%	12.3%	15.4%
Academy Capital Fund XXXV	\$0.000000002B	4.9%	2.6%	8.3%	12.0%	15.1%
Academy Capital Fund XXXVI	\$0.000000001B	4.6%	2.3%	8.0%	11.7%	14.8%
Academy Capital Fund XXXVII	\$0.0000000005B	4.3%	2.0%	7.7%	11.4%	14.5%
Academy Capital Fund XXXVIII	\$0.0000000002B	4.0%	1.7%	7.4%	11.1%	14.2%
Academy Capital Fund XXXIX	\$0.0000000001B	3.7%	1.4%	7.1%	10.8%	13.9%
Academy Capital Fund XL	\$0.00000000005B	3.4%	1.1%	6.8%	10.5%	13.6%
Academy Capital Fund XLI	\$0.00000000002B	3.1%	0.8%	6.5%	10.2%	13.3%
Academy Capital Fund XLII	\$0.00000000001B	2.8%	0.5%	6.2%	9.9%	13.0%
Academy Capital Fund XLIII	\$0.000000000005B	2.5%	0.2%	5.9%	9.6%	12.7%
Academy Capital Fund XLIV	\$0.000000000002B	2.2%	0.0%	5.6%	9.3%	12.4%
Academy Capital Fund XLV	\$0.000000000001B	1.9%	-0.3%	5.3%	9.0%	12.1%
Academy Capital Fund XLVI	\$0.0000000000005B	1.6%	-0.6%	5.0%	8.7%	11.8%
Academy Capital Fund XLVII	\$0.0000000000002B	1.3%	-0.9%	4.7%	8.4%	11.5%
Academy Capital Fund XLVIII	\$0.0000000000001B	1.0%	-1.2%	4.4%	8.1%	11.2%</

LONDON STOCK EXCHANGE

Bid news and receding US rate fears lift shares

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The London equity markets bears were routed on most fronts yesterday with a major bid story whetting the appetites of the bulls and economic news from across the Atlantic going some way to demolishing the case for a rise in US interest rates in the short term.

Fears of a US rate rise, never looked liked biting the bullish sentiment in the UK market's second-liners and smallcap stocks whose

indices both moved up to intra-day and closing records.

Marketmakers, many of whom have been jobbing off downside trading books in recent sessions, were initially wrong-footed by the news of a bid approach for EMI, confirming long running takeover speculation in London. However, they were subsequently persuaded to shift to bullish stances as the economic news from the US filtered into the market.

The combination of the revival of takeover speculation and the decreasing chances of a rate rise in the

US saw the Footsie close 95.2 higher at 5,528.3. At its best, not long after Wall Street's economic news had been announced, the FTSE 100 posted a 121.8 gain at 5,564.9. Unlike the FTSE 100 index, which endured another uncomfortable morning session as those interest rate fears continued to play on the minds of fund managers and institutional investors, second-line stocks and smallcaps remained firmly on the uptick, with the FTSE 250 index never troubled on the downside and finishing the day a net 41.9 up at a closing record of 5,610.9.

At its best, just before the close of trading, the 250 hit an intra-day record of 5,610.9. The FTSE SmallCap moved up to a closing and intra-day high of 2,545.9, up 12.1 on the day.

"We were certainly wrong-footed by the EMI story and the news from the US was weaker than expected," said one of the more cautious marketmakers in London.

But he said there were continuing bearish tendencies in London. "We're getting increasing volatility and violent movements generally from run-down bid news," he said. "Swings of 100 points a

day mean the market doesn't have much confidence in either direction. I feel we're not too far from the top," he continued.

The economic news from America triggered a significant upsurge on Wall Street where the Dow Jones Industrial Average jumped more than 170 points during London trading, transforming the initial trend in UK equities.

The crucial US data affecting London was the employment index for the first quarter which, at plus 0.7 per cent, was well below the consensus estimate of plus 1

per cent, a figure viewed as possibly unsettling the Federal Reserve's open market committee next month.

Other US data, including first-quarter gross domestic product up 4.2 per cent year-on-year, and weekly jobless claims of 1,000 were not viewed as too damaging.

Equity turnover at 6pm showed a small increase on activity levels earlier in the week, reaching 935.3m shares.

The bid approach to EMI, hardly a secret as the shares have raced higher in recent sessions, accounted for almost five Footsie points.

EMI up on bid activity

COMPANIES REPORT

By Joel Kerkorian, Peter John
and Martin Erke

Prospects of a bidding war for EMI gripped the market after the international music publishing company said it had received an approach about a possible offer.

Confirmation of the approach came after a press report said Kirk Kerkorian, the US corporate raider, was interested in acquiring the troubled UK group.

The company denied it had received an approach from Mr Kerkorian and remained tight-lipped about its prospective suitor. But the speculation centred on Seagram of Canada and Disney of the US.

One observer suggested confirmation of an approach would "flush out all other possible bidders and there could be a contest for it".

The company's shares soared on news of the approach and speculation about a contest. At the day's best the shares hit 637p before late profit-taking saw them relinquish some of the gains to close up 99p or nearly 20 per cent at 607p, by far the best-performing stock in the FTSE 100.

Several of the biggest food retailers made progress after

the latest AGB-Taylor Nelson monthly survey was said to show Tesco, Asda Group and Sainsbury have increased their share of the UK market in March.

The survey showed that Sainsbury had continued to lose ground to its rivals, and Kwik Save had also seen a decline in market share.

In the four weeks to April 5, Tesco's market share rose 4.3 per cent over the same period a year ago and now stands at 31.3 per cent, which confirmed the company as market leader among food retailers.

Tesco shares responded by jumping 11p to 560p while

Asda firmed 2p to 200p. Sellers gained the upper hand in Sainsbury, the shares losing 1p to 489p, while Sainsbury's 2p to 366p and Kwik Save was unchanged at 407p.

Composite insurers rose after strong new business figures from Commercial Union and General Accident and a number of sector upgrades. Commercial Union led the way with a gain of 83p to 511.12, the second largest rise in the FTSE 100, while General Accident, which is to merge with CGU, was up 88p to 514.06.

Salomon Smith Barney upgraded its recommendations for CU, General Accident and Guardian Royal to "outperform" and reinstated its "buy" advice for Royal & Sun Alliance. The broker also raised Commercial Union's target price to 512.00, and lowered Guardian's to 445p.

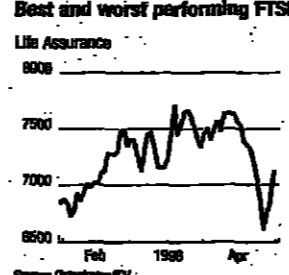
CSFB recommended the composite insurers on the recent weakness, pointing out that, in spite of the recent weather claims, profitability in the sector is expected to remain strong throughout the year.

Transport stocks were a focus of investor attention, producing a strong performer in the Footsie and several in the FTSE 250.

CSFB has told its clients that the forthcoming government white paper on the transport industry "is likely to be a key determinant of potential passenger growth for both the bus and rail industries".

Stagecoach, on which CSFB has maintained its "buy" stance despite recent outperformance, gained 67p to 512.06p. A forecast from the company that its full-

Best and worst performing FTSE sectors



year profits would come in at about 1158m was in line with market expectations.

National Express was also a strong FTSE 250 performer as it gained 38p to 833p after a bullish statement by the AGM.

Railtrack gained 41p to 510.92p, just 30p below its all-time high.

Energy Group fell 26p to 889p as PacificCorp of the US dropped out of the bid war with Texas Utilities. However, PowerGen, which had been tipped by several analysts earlier in the week as a possible fall-back for PacificCorp, rose 10p to 808p.

Rough water

Water stocks were unsettled after Ofwat, the industry regulator, published the latest documents in its pricing review.

Brokers picked out South West Water as the biggest possible loser and the shares fell 6p to 872p. Ofwat said the group had sewerage costs above reasonable levels for its trading situation and analysts said the group would have to force through further efficiency savings in an unyielding review environment.

Dreadnought Kleinwort Benson and Panmure Gordon highlighted the possible negative impact on South West Water, Panmure prefers Anglian Water - up a penny at 916p; United Utilities - down 15p at 832p; Wessex Water - down

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
Jun	5580.0	5570.0	+120.0	5600.0	5520.0	5570.0	15/277		
Jul	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Aug	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		

FTSE 250 INDEX FUTURES (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
Jun	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	
Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	
Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	
Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	
Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
May	5620.0	5610.0	+40.0	5640.0	5580.0	5610.0	0	630	
Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
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May	5570.0	5560.0	+120.0	5590.0	5510.0	5560.0	15/277		
Jun	5560.0	5550.0	+120.0	5580.0	5500.0	5550.0	15/277		
Jul	5550.0	5540.0	+120.0	5570.0	5490.0	5540.0	15/277		

FTSE 250 INDEX OPTION (LFFB) £10 per full index point									
Month	Open	Settle	Change	High	Low	Settle	Open	Settle	Open
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Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

FTSE 100 INDEX OPTION (LFFB) £10 per full index point									
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Jun	5610.0	5600.0	+40.0	5630.0	5570.0	5600.0	0	630	
Jul	5600.0	5590.0	+40.0	5620.0	5560.0	5590.0	0	630	

Worst performing sectors

Sector	Change
1. Tobacco	-1.2
2. Electronic Inds	-0.8
3. Water	-0.6
4. Leisure & Hotels	-0.4
5. Diversified Inds	-0.1

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1. Tobacco	-1.2
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3. Water	-0.6
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3. Water	-0.6
4. Leisure & Hotels	-0.4
5. Diversified Inds	-0.1

highlighted by the reaction of MSB International shares to a placing of 2.6m shares. The shares, which this week exceeded Merrill Lynch's price target of 950p, shrugged off the placing at 950p to advance 2% to 970p.

Elsewhere on AIM, Netcall rose 5% to 60p after it said it had recruited David Rothschild from Action Computer, the UK's fourth-biggest PC

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

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The FTSE4Good Awards World Index are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the University of Cambridge and the Institute of Arsonian Method Sciences Ltd. was a co-founder of the indices.

COUNTRY AND REGIONAL MARKETS		WEDNESDAY, APRIL 26, 1996										THURSDAY, APRIL 25, 1996										DOLLAR INDEX										
US Dollar	Day's Change	Point	Yen Index	Dollar Index	Local Currency Index	Local % chg	Gross Ch. Yield	US Dollar Index	Day's Change	Point	Yen Index	Dollar Index	Local Currency Index	Local % chg	Gross Ch. Yield	US Dollar Index	Day's Change	Point	Yen Index	Dollar Index	Local Currency Index	Local % chg	Gross Ch. Yield	US Dollar Index	Day's Change	Point	Yen Index	Dollar Index	Local Currency Index	Local % chg	Gross Ch. Yield	
Japan (JP)	228.45	-0.6	184.93	173.85	194.40	213.94	-1.2	3.83	205.95	186.31	175.26	195.68	216.54	243.87	190.29	228.45	228.45	184.93	173.85	194.40	213.94	-1.2	3.83	205.95	186.31	175.26	195.68	216.54	243.87	190.29	228.45	
Australia (AU)	231.53	0.8	105.43	108.12	213.94	215.81	0.7	1.32	228.75	204.17	172.08	214.61	216.24	226.80	190.21	231.53	231.53	105.43	108.12	213.94	215.81	0.7	1.32	228.75	204.17	172.08	214.61	216.24	226.80	190.21	231.53	
Canada (CA)	221.92	0.0	285.80	285.48	200.01	203.61	-0.2	2.46	321.57	282.12	285.48	204.51	226.44	226.44	200.01	221.92	221.92	285.80	285.48	200.01	203.61	-0.2	2.46	321.57	282.12	285.48	204.51	226.44	226.44	200.01	221.92	
France (FR)	224.16	0.0	212.02	222.40	222.40	222.40	0.0	1.14	224.16	224.16	222.40	222.40	222.40	222.40	222.40	224.16	224.16	212.02	222.40	222.40	222.40	0.0	1.14	224.16	224.16	222.40	222.40	222.40	222.40	222.40	222.40	224.16
Germany (DE)	242.19	0.8	214.87	201.99	225.86	225.39	0.7	1.09	240.26	213.51	200.24	220.23	220.23	220.23	201.99	242.19	242.19	214.87	201.99	225.86	225.39	0.7	1.09	240.26	213.51	200.24	220.23	220.23	220.23	201.99	242.19	
Italy (IT)	489.80	-0.2	434.54	480.00	458.77	458.77	0.3	1.33	430.88	430.05	458.77	458.77	458.77	458.77	458.77	489.80	489.80	434.54	480.00	458.77	458.77	0.3	1.33	430.88	430.05	458.77	458.77	458.77	458.77	458.77	458.77	489.80
Spain (ES)	413.49	-0.2	368.83	344.85	280.00	272.40	-2.5	1.91	341.02	378.00	354.76	345.71	404.05	335.83	255.00	413.49	413.49	368.83	344.85	280.00	272.40	-2.5	1.91	341.02	378.00	354.76	345.71	404.05	335.83	255.00	413.49	
UK (GB)	294.63	-0.7	261.11	261.11	261.11	261.11	0.0	1.08	261.11	261.11	261.11	261.11	261.11	261.11	261.11	294.63	294.63	261.11	261.11	261.11	261.11	0.0	1.08	261.11	261.11	261.11	261.11	261.11	261.11	261.11	261.11	294.63
Sweden (SE)	274.80	1.6	228.67	228.27	228.27	228.27	0.0	1.28	270.62	249.40	228.27	228.27	228.27	228.27	228.27	274.80	274.80	228.67	228.27	228.27	228.27	0.0	1.28	270.62	249.40	228.27	228.27	228.27	228.27	228.27	228.27	274.80
Netherlands (NL)	318.62	-0.1	282.67	282.73	257.14	216.72	-2.2	1.96	238.38	288.15	228.01	233.56	282.31	580.03	282.31	318.62	318.62	282.67	282.73	257.14	216.72	-2.2	1.96	23								

Emerging markets

IFC investable indices

[illegible]

4. Any other facts:

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دکتر محمد صالح المنجد

GLOBAL EQUITY MARKETS

US INDICES

Index	Apr 30	Apr 29	Apr 28	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	99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INTERNATIONAL CAPITAL MARKETS

Despite the troubles in Asian economies, global markets have proved resilient and remained buoyant, says Simon Davies

Another leg for the bull run

Given the current drive for mergers among investment banks and the vast bank write-offs for exposure to troubled Asian economies, it is easy to forget that participants in global capital markets have been enjoying boom conditions.

Enthusiasm for emerging markets debt and equities has yet to fully recover. But the extent of the problems in Asia has receded, and overall financial markets have remained buoyant.

Indeed, Asia has provided a prop for the relatively high growth and low inflationary environment found in the west. US and European interest rate rises have been postponed, as a result of weaker commodity and import prices. The US has not increased its interest rates since March 1997, and even then it was only a 25 basis point - 0.25 per cent - rise.

Against this backdrop, bond yields have fallen close to historic lows, fuelling liquidity in the equity markets and giving another leg to the longest bull market in history.

"If firms did not do well last year, then they are having to ask themselves some tough questions," says Paul Daniel, head of European fixed income at Morgan Stanley Dean Witter. "The Asian problems were not as serious as first anticipated, and the casualties are well known. But most firms should have made exceptional profits."

According to the International Securities Market

Association, Eurobonds and international bond issuance grew by \$60bn last year to \$72bn. This was only an 8 per cent increase, compared with the 50 per cent growth that was achieved in 1996.

However, there was a substantial pick-up in secondary market activity, reflecting the volatility of the market in the fourth quarter.

And there has been a surge in issuance so far this year, as companies revived issues that had been planned for the fourth quarter, and borrowers locked in to increasingly attractive bond yields.

International borrowers raised more than \$500bn from the bond markets in the first quarter, more than double the figure for the same period in 1997.

Equity issuance has not matched the growth in the underlying stock markets, but it has nonetheless been buoyant.

Last year saw a dramatic shift towards retail equity investment in Europe, encouraged by falling bond yields and government incentives attached to a number of substantial privatisations. There has been a decline so far this year, but the positive trend should continue.

There have been other subdued areas. The syndicated loan market has suffered from the withdrawal of many of the Japanese banks that had historically provided about 15 per cent of its capital.

And the growth in the derivatives markets has

slowed, reflecting the decline in volatility in European interest rates and currencies in the lead-up to economic and monetary union (Emu). However, overall the capital markets have enjoyed buoyant conditions.

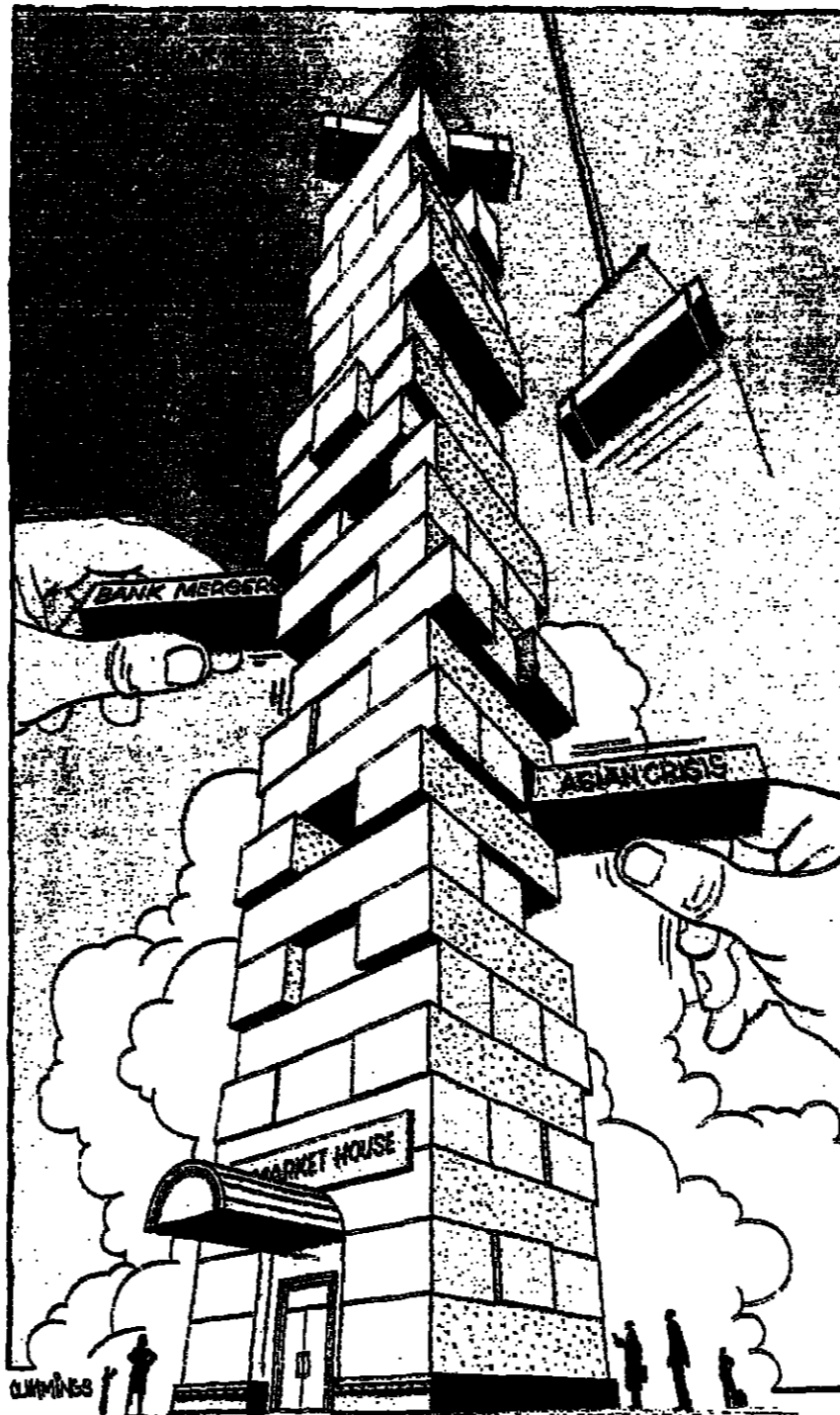
One of the key factors that will determine whether they remain so, will be US interest rate policy. In February 1998, the US Federal Reserve sparked a global sell off in financial markets after a surprise rate rise.

In recent weeks, there have been growing fears that the economic impact of the Asian financial crisis might have been over-estimated and that the Fed would move on rates. This has been encouraged by official comments on the extent of asset price rises, particularly the stock market.

However, Giles Keating, head of global research at Credit Suisse First Boston, says: "I am not worried about higher interest rates for a considerable period of time."

He argues that the Fed would be constrained by fears of reviving the market volatility of late 1997, particularly now that a majority of household savings are tied up in the markets. And he argues that inflationary pressures remain relatively subdued.

If this is the case, falling bond yields will drive demand for higher yielding securities. In the first nine months of last year, this process took the form of a surge in emerging market bond investment. But yield



to over \$4,800bn, has channelled enormous financial resources from the banking system into the capital markets. Both Europe and Asia look as if they will follow suit.

The impending birth of the euro is sparking enormous changes in European financial markets. Italian government bond yields have dropped by 800 basis points in the last three years, as European bond yields and interest rates converged in advance of Emu.

The convergence process is almost over, but it is sparking a shift of savings into the equity markets, and into credit instruments, such as the new European junk bond market.

Rates have come down from double digits to core European levels in just two and a half years," says Joe Cook, global head of capital markets at JP Morgan. "The widows of Firenze are in shock as their 11 per cent coupon bonds mature and they are being offered yields less than half that."

Clearly, the Euro will help create a much more broad and liquid single currency bond market. It will also encourage the greater use of pan-European investment benchmarks, sparking an increase in cross-border activity in both bonds and equities.

By removing the currency differentials, Emu will highlight a number of other competitive barriers and encourage the development of a more cost efficient market.

"A lot of the home town rules that protect local markets in Europe will become more obvious after Emu, and they will be chiselled away," says Mr Cook.

This vast pool of capital is being created at a time when the biggest source of bonds, governments, is in decline. Due to the rigours of the Maastricht criteria, and the UK economic recovery, European issuance is expected to fall by one third, or \$60bn, this year.

And the pool will expand with the development of private pensions in Europe. This opens the way for the development of a substantial

corporate bond market. At present, bank loans remain a substantially higher percentage of gross domestic product throughout Europe than in the US, while the value of bonds outstanding, and with the exception of the UK and the Netherlands - stock market capitalisations are far smaller. This is set to change.

Another region where the dominance of the banking system is under pressure is in Asia.

One of the lessons of the Asian crisis was that the region's banks failed to allocate efficiently Asia's abundant savings.

In Hong Kong and south-east Asia, there are moves under way to encourage the development of regional bond markets. This would provide benchmarks for bank lending, and offer an early warning system against economic difficulties of the kind that emerged in Thailand and Indonesia.

Meanwhile, the Japanese authorities are realising the importance of opening up their capital markets. When their Big Bang was announced several years ago, it was expected to be a damp squib. But in the light of the country's economic problems, there are hopes that it signals dramatic change. Hence the decision by Merrill Lynch to acquire much of the bankrupt Yamaichi Securities business.

The 54 per cent increase in Japanese corporate bond issuance last year suggests a positive trend. Moreover, the Japanese banks will have to raise cash through bonds backed by loan portfolios, increasing the importance of the bond market.

A combination of the low interest rate environment and the financial revolutions taking place both in Europe and Asia is an appealing one.

Clearly, any upward shift in the interest rates in the US would spook investors and lead to a slowdown in issuance.

However, Mr Keating says: "I expect that this will be a more selective but still highly favourable period for the capital markets."

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2 INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BOND MARKETS • by Edward Luce

Shrugging off the jitters

Several factors have combined to create boom conditions in the first quarter

International bond markets surprised themselves and everyone else with a dramatic return to boom conditions in the first four months of 1998.

Shrugging off persistent jitters over the Asian financial crisis, international borrowers tapped more than \$500bn from global bond markets in the first three months of 1998. This was more than double the amount raised in the equivalent period of 1997 – itself a record breaking first quarter.

"Borrowers realised there was as much liquidity out there as before the Asian crisis," says Paul Abberley, head of fixed income asset management at Lombard Odier, a private Swiss bank. "Investors, in turn, realised that the worst of the crisis was probably over."

The explosion in new issuance so far in 1998 has been driven by several factors.

First, borrowers, including leading names such as the World Bank and the Federal National Mortgage Association, needed to make good the time lost in the final quarter of 1997 when the market slowed dramatically. As such, six months worth of funding requirements were effectively crammed into the first quarter of 1998.

Second, despite some brave – and largely successful – visits by emerging market sovereigns, borrowing in the first quarter of 1998 was heavily dominated by AAA and AA-rated names. This reflected the market's continuing demand for "safety first" paper. Multilateral borrowers and some AAA corporates were able to exploit this opportunity to pre-fund second quarter borrowing targets.

Third, macroeconomic conditions continued to favour bond markets in spite – or even partly because of – the global effects of the Asian currency crises.

The persistence of low interest rates in the leading developed economies and the continued drop in yields on US and European government bonds reduced the attractiveness of holding cash or government paper. Borrowers able to offer even a small pick-up in yields over benchmark government paper thus proved popular with fund managers.

Fourth, leading borrowers, including the European Investment Bank, Italy, Spain and Abbey National, made preparations for the onset of European monetary union with benchmark offerings denominated in the future single currency.

Although euro-denominated issues made up only 5 per cent of total issuance in the first quarter according to Capital Data Bond Ware, an information service, this was almost double its share of bond issuance in 1997. The proportion is expected to rise sharply in the second half of 1998. "Once bilateral conversion rates have been set between the currencies entering monetary union (in early May), market confidence in the euro will take off," says Rob Jolliffe, head of fixed income for Goldman Sachs in Frankfurt. "We expect a steep rise in euro issuance in late 1998."

The presence of favourable cyclical conditions in the market was also underpinned by benign secular trends, the most important being, perhaps, the continuing move towards capital markets borrowing (as opposed to borrowing from "relationship banks") in Europe.

The onset of Emu in January 1999 has accelerated the de facto Americanisation of Europe's capital markets. This has encouraged European insurance and pension

funds to look beyond domestic markets to consider buying paper issued by borrowers in other parts of the future single currency zone.

As a result, the cross-border pool of liquidity is steadily growing. "Capital is increasingly looking for its most efficient home and this is good for bonds," says David Ovenden, head of fixed income at Paribas in London. "The disappearance of 10 currencies will dramatically increase the role of the bond markets."

One result of this shift to disintermediated funding (cutting out the banks) is the development of a junk bond market in Europe. Although it is still only the fraction of the size of its US counterpart, the growth of Europe's fledgling junk bond market is gathering momentum.

Companies such as Moulinex, the French household goods producer, and IPC, the British media company, have tapped this nascent market. Many more are expected to follow once fund managers have woken up to the consequences of Emu.

"We are encouraging some of our clients to look at single-A rated paper where before they only looked at AA-paper," says Peter Price, head of fixed income at Hill Samuel Asset Management. "Eventually funds could start looking at BBB paper in the same way as their counterparts in the US."

The growth in the corporate bond market is also being boosted by cuts in government borrowing – both in Europe, where governments have had to cut budget deficits to qualify for Emu, and the US, where the Treasury is steadily reducing its annual auction calendar. As such, the more conservative portfolio funds are being deprived of their traditional diet of sovereign paper.

This has provided an opportunity for non-government borrowers to fill the gap with so-called "jumbo" bond issues. Others have



Bills being changed for Italian lire in an experimental use of the euro in Italy last year: the euro-denominated market will have a nominal value of \$2,800bn

GOVERNMENT BONDS • by Vincent Boland

Emu alters the game

Investors are currently re-evaluating how to approach the markets

Convergence is dead; long live convergence. The wave of harmonisation in the past few years across the government bond markets of the countries joining European economic and monetary union has been a goldmine

for investors. Today, yields on 10-year Italian government bonds are almost the same as their German equivalent, which have traditionally been the benchmark for investors.

There is little left on the convergence front to play for now, although the small spread between the core European markets and the former high yielders in southern Europe is likely to remain in place for some time yet.

The euro-denominated market will have a nominal value of \$2,800bn, just shading the \$2,700bn US treasury market for supremacy.

This will throw up new opportunities and challenges, with the European central bank, the likely reserve status of the euro and the constraints imposed on individual governments all impinging on the structure and potential of the market.

"Investors are trying to

re-evaluate how to approach bond markets," says Thomas Juterbock, managing director and head of US and European government bond trading at Morgan Stanley Dean Witter.

"US investors have global businesses with global liability structures. They will probably want to have global asset structures as well. At the moment, they are underexposed to euro assets."

Continued on page 2

Almost 30 years in the international securities market ...

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----- The size of the international securities market is now estimated at US\$ 1845 billion. ISMA is the international self-regulatory industry body for this market, responsible for overseeing its orderly functioning and development. Notably, ISMA has established the uniform rules and recommendations which now govern virtually all cross border transactions in international securities.

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Continued from page 2

Mr Juterbock says yield curve trading and cross-currency arbitrage will take on added importance in the new bond market. But the search for yield, a characteristic of the main government bond markets in recent years, will continue. "Convergence trading has ended. The emphasis will shift to currency yield curve positions," he says.

Philippe Rakotovo, head of fixed income at Société Générale in London, agrees, and foresees a big jump in trading volumes as a result, as portfolios are restructured.

"Investors will have to change to pick up yield, so volumes will rise. Spreads will remain due to market liquidity and organisation issues, and will be constantly arbitrated like in the US market."

If, as most observers believe, a transparent and liquid euro-denominated government bond market develops, competition among the 11 sovereign issuers will increase as they seek to attract investor attention.

Since not all the participating governments are rated similarly, credit ratings and liquidity considerations will be the main factors differentiating euro-area sovereign debt, according to a recent report by Barclays Capital.

Currently, according to Patrick Couper, Emu co-ordinator for debt capital markets at Société Générale, Italy's issuing policy is concentrated on the short end of the yield curve. This will be critically important for the euro curve because of the size of the Italian bond market, he told a conference in London recently. Italy now represents more than 30 per cent of the euro curve, compared to a little more than 20 per cent for Germany and 15 to 17 per cent for France.

This is an important consideration in the battle to establish the benchmark for the euro market. There is intense rivalry between France and Germany for this honour, with many observers taking the view that the French market has set the pace on the issue.

The French bond market is perhaps the most trans-

parent in Europe, according to many bond market specialists, having incorporated all the structures - repo auctions, marketmakers, liquidity, issuing transparency, etc - needed to inspire a loyal following. "I have nothing but praise for the way the French have approached this issue," says John McNeill, government bond strategist at Sutherland, the Edinburgh stockbroker. "They have looked at the US market and learned from it, and they are very sensitive to the concerns of investors."

Benchmark status matters. Not only is it a question of national pride, but it will also mean cheaper funding costs. But could there be more than one benchmark? As Mr Couper pointed out, the size of a government's position in one area of the yield curve could dictate that. Therefore, Italy could become the benchmark in the 2-year and 5-year bond sector; Germany and France in the 10-year sector; and France in the long bond sector.

Outside the euro market, the UK gilt market will be the main alternative within Europe, and sterling will be the only significant European currency to offer diversification, which will be sought by many investors. Mr Rakotovo believes the link between sterling and the euro will be stronger than that between the dollar and the euro because the market will be betting that sterling will eventually come into the single currency.

"There will be strong convergence between the UK and European economies. The eurosterling market offers a wide range of issues that investors will not have in other European currencies," he says. And he predicts a marked improvement in the structure of the gilt market to compete with euro government bonds.

"The problem with the gilt market is that it is completely dominated by UK institutions and has not been subject to international standards. This has hampered the ability to promote gilts abroad. But the Treasury is very ready to change that. French and German investors are afraid of gilts, but that is about to change," Mr Rakotovo says.

EMERGING MARKETS BONDS • by Edward Luce

From surfeit to dearth

A steady recovery has taken place in the wake of the so-called Asian 'bloodbath'

Emerging market bonds have turned full circle over the past 12 months. For the first time ever in 1997, emerging market sovereigns borrowed more from the international bond markets than their developed country counterparts.

This time last year emerging market governments as obscure as Kazakhstan and Panama were merrily tapping the market at astonishingly competitive rates. But suddenly in late 1997 the punch bowl was removed.

"There was a problem of chronic over-supply of emerging market bonds," says Helene Williamson, chief economist at Foreign & Colonial in London. "Spreads over Treasury bonds had come into very tight levels."

The global effects of the Asian currency crisis put a stop to that. After outperforming other asset classes over the previous 18 months, emerging market bonds collectively nosedived in response to the globalisation of the Asian crisis last October.

J.P. Morgan's emerging market bond index - generally taken as a benchmark for the market - at one stage widened from an average spread of 330 basis points over US Treasury bonds to more than 800 basis points, before settling at a spread of about 600 basis points.

Some bonds - notably Russian sovereign paper and the Asian benchmarks - were worse hit than others. But in general all emerging market paper took a severe

beating. Analysts and journalists indulged in phrases like "bloodbath" and "massacre" to describe the fact that all of the gains made since the Mexican "Tequila" crisis in late 1994 had been wiped out in the space of two frenetic days.

Since the start of 1998, however, emerging market credits have made a steady recovery.

"The markets were impressed by the fact that most emerging market governments, particularly Brazil and Russia responded well to the crisis," says Richard Gray, chief emerging markets economist at Bank of America. "Governments put up interest rates, cut budget deficits and effectively stemmed the contagion."

Led by Argentina, which has made six separate offerings since the crisis last October, emerging market governments have gradually returned to the primary markets. For the most part, governments have tended to issue in non-dollar currencies to avoid the more punishing spreads on offer for bonds denominated in the greenback.

Both Argentina and Brazil have issued bonds in lira while Russia and one or two others, including Argentina (again) and Turkey, have opted for D-Marks. Argentina, by far the most innovative operator in the international bond markets, and Brazil have also made debut offerings in the euro, the future single currency of Europe.

"Most of the emerging market issues have been very well received because they prepared the ground carefully beforehand and they priced the paper at sensible spreads to compensate nervous investors," says a syndicate head at a US



Demonstrating students demand government accountability for the handling of Indonesia's economic woes: emerging markets bonds took a nosedive in response to the globalisation of the Asian crisis last October

Charles Dunne/AP

investment bank.

At the same time as improving market sentiment, the J.P. Morgan EMBI index has narrowed back to a spread of about 450 basis points over Treasuries. This is considered more sensible than the bull market spreads that were offered before the Asian crisis.

In addition to the return of mainstream borrowers, the market has also been introduced to South Korea which was making its debut as a sovereign borrower in the international bond markets.

In the aftermath of the successful restructuring of \$21bn worth of short-term bank debt, Korea issued \$4bn worth of bonds in early April at spreads roughly commensurate with the level at which Mexico's

benchmark bonds are trading. The issue was four times subscribed and tightened by about 40 basis points after launch. "The Korea bond was very well received because investors recognise the fact it has taken great strides to put its house in order," says Jerome Booth, chief emerging markets economist at ANZ Investment Bank in London.

Similarly, the Philippines' \$500m 10-year offering was well received. Again, investors pointed to the country's relatively impressive record in the aftermath of the Asian currency crisis. "Investors are differentiating between emerging market countries," Mr Booth added.

For that reason, Indonesia is not expected to brave the markets in the near future.

Thailand, however, is expected to issue a global sovereign bond in June.

Analysts say the arrival of Asian sovereign bonds on the international markets will add more balance to an asset class previously dominated by Latin American borrowers.

Only 1.7 per cent of the EMBI index, for example, is devoted to Asian bonds - all of it Philippine Brady debt. This, and other indices, are expected to be re-weighted once Thailand, and possibly Malaysia, have followed Korea's recent example. Korea itself is planning to tap another \$5bn from the markets during the remainder of 1998.

"The addition of the Asians will provide a much more balanced group of emerging markets," says Ms

Williamson. "The market will become more sophisticated and will discriminate more between different borrowers."

The impact on Asian government borrowers is also expected to be salutary. For one, the existence of liquid sovereign benchmarks on the international capital markets will provide governments with an instant and transparent indicator of market sentiment. Such benchmarks could also provide an external discipline on governments and corporates - a role which banks have patently been unable to fulfil.

"If Asia had been a big sovereign bond issuer before the crisis last October perhaps it would have had a better early warning system," says Ms Williamson.

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4 INTERNATIONAL CAPITAL MARKETS

EQUITIES • by Vincent Boland

Heady days are here again

Bankers say activity for the rest of the year should match the 1997 record

After a lull in the first three months of this year, global equity issuance is gathering pace. Europe's privatisation process is back on track, with several huge deals close to completion or about to hit the international roadshow circuit, while private sector activity is also buoyant again.

Bankers say activity for the rest of the year should see total sums raised match the record \$110bn issued in 1997. With global equity markets trading at exceptionally high levels, companies and governments are keen to exploit the continuing demand for new paper.

At the same time strong retail interest in equities in Europe shows no sign of abating, as seen in the fevered response to the privatisation of Tabacalera, the Spanish tobacco group. Strong flows of funds into equity products continue, particularly in southern European markets, as investors abandon the bond markets in search of higher returns.

"There cannot be an issuer who is not tempted at these levels," says John St John, managing director and co-head of equity capital markets at Salomon Smith Barney. "It is amazing how quickly people forget that markets were almost shut down four months ago in the wake of the Asian crisis."

If anything, the continued strength of retail demand is as much of a concern to market observers as it is a boon for governments keen to deepen the equity culture that has emerged in Europe in recent years. Bankers say the concept of value is becoming irrelevant in frothy markets, and today's

equity markets are nothing if not frothy, with volatility a feature throughout the main stock markets.

Bankers never complain in booming markets, but they admit that retail cash can distort the market. Simon McGuire, executive director at Warburg Dillon Read, says it raises the issue of fundamental value. "Retail investors are not looking at the market but at the fact that it is up so far, and want to invest."

The result is that, for all the apparent strength of global equity markets, the position for some new issues is likely to be less than optimal. Mr St John describes the state of the new issues market as "slightly nervy". With price-insensitive retail demand setting the rules in Europe, "the difficulty is how much you can convince investors to buy, and at what price," he says.

The strength of retail demand raises the question of whether domestic markets can absorb the volume of new issues they are being asked to buy. From a government's point of view, a big sale to local investors is excellent; from an issuer's viewpoint such investors may not be the right buyers, and there is always the danger that too heavy a concentration on the retail sector will damage the performance of a company's share price in the immediate wake of a listing.

But while the retail phenomenon poses a teaser, other aspects of the market are buoyant. Opportunistic rights issues by the likes of Volkswagen - a controversial and much-reduced Dm30m issue - and Telefonica of Spain, capitalising on a soaring share price, are one area, but the most striking is the strength of the convertible and exchangeable bond sector, which is in good health.

Several factors have combined to make it so. First, the increased volatility of

equity markets is pushing some fund managers to seek protection against any correction. A good example of this was the \$2bn bond from Swiss Life which can be exchanged into shares of six European blue-chip stocks. Bankers said the transaction was evidence of "a mature bull market".

Second, a new investor base for convertibles is emerging, creating huge demand for what is still a relatively limited supply. However, as redemptions of existing bonds grow, the process creates a pool of investors for new bonds. There is also evidence that the pool is expanding outside the traditional core of US and Swiss investors to include fund managers in London, Paris and Frankfurt, as well as in Asia.

"There is a shift in investor opinion in favour of considering half-way house types of investment such as convertibles," says Jim Grantham, who specialises in the sector for Société Générale in Paris. He estimates that the global market for convertibles is expanding at 15 per cent a year.

Do not write off plain equity issuance, however. Headline privatisations are imminent from Switzerland, Poland and Finland. The UK equity market is set to get a much-needed shot in the arm from the flotation of GEC Alsthom and Thomson, and Japanese companies, which have been modestly tapping international demand in recent months, are hovering.

But bankers say that despite the apparent ease with which some recent issues, such as Tabacalera and Telecom Corporation of New Zealand, were completed, pricing will be the key to success if volatility continues to haunt the equity markets. Everybody is looking for value; finding it is not easy in these heady times.

SECURITISATION • by Simon Davies

Myriad possibilities

Europe and Asia could drive the market's performance in the long term

The asset-backed securities market continues to defy all predictions, with the global market expanding by another \$94bn last year to achieve annual compound growth of 38 per cent over the past four years. Citibank estimates that the global market has a capitalisation of \$484bn. And the growth rate looks set to continue.

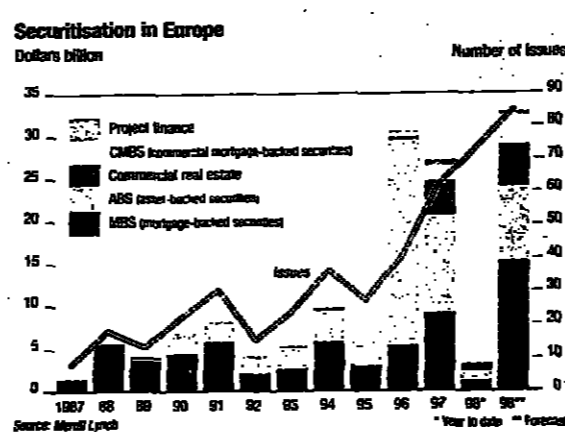
The US is still the largest market, but the businesses' longer-term performance could be driven by two other regions, Europe and the Far East.

In Europe, the development of a single currency should create the world's largest and most liquid single currency bond market. This removes one of the barriers to the development of a substantial European ABS market - the absence of large homogeneous pools of assets, such as US auto loans and mortgages.

Important regulatory and tax differences still need to be dealt with. But the Euro will also remove currency barriers to transparency in the stock market, increasing the comparability between European banks. This will put pressure on them to improve notoriously low returns on capital.

Securitisation is an easy way of increasing returns by taking regulatory capital that is tied up in low-yielding assets off the balance sheet. The proceeds can be used to fund share buy-backs, or to reinvest in higher yielding businesses.

Given the amount of bank capital tied up in poorly-performing corporate loans, this offers enormous scope for issuance. NatWest, the UK bank, and Swiss Bank Corp led the way. But Germany



has only recently changed the rules to permit securitisation by banks, and there have been no takers yet.

Moreover, as Patrick Van der Borch, director of asset finance at Credit Suisse First Boston, says: "Monetary union makes all the federal governments more budget conscious. So there is less money to go to the regions which own most of the banks. This further encourages the shift to shareholder capitalism."

Finally, the creation of this broad and liquid bond market will encourage issuers from other areas to access the euro market.

"The momentum we see in the US is likely to spill over into the European market, with the big issuers aiming to access investment capacity in Europe," says Alexander Justham, head of asset finance at JP Morgan. Issuers from the developed Australian mortgage-backed bond market are also expected to want to access the new euro market.

Emu should also drive demand for asset-backed securities. Securitisation is a process whereby assets are repackaged into bonds backed by strong, or at least predictable, cashflows. The bonds have a good track record, with a low default rate and consistent narrowing of yield spreads against their benchmarks.

It mostly offers high investment grade credits, with a substantial uplift in yield against corporate credits of a similar rating - reflecting the hybrid nature of the product, and lack of familiarity among investors. And yield uplift is some

thing European investors are keen to get after the decline in European government bond yields, particularly in Spain and Italy. Moreover, Maastricht-inspired austerity should help spark a \$50bn fall in the level of government bond issuance - or a fall of one third - this year.

JP Morgan is predicting that the European market for mortgage/asset-backed securities will help fill some of the gap, nearly doubling to \$1,800bn by the year 2003.

The other region that shows huge growth potential is Asia, where last year's crisis has hit economies and banking systems hard. Securitisation provides an obvious means of recapitalisation. The Japanese banks have started securitising overseas assets, and the logical next step is for them to move on to domestic loans.

"Securitisation is not the answer to their credit problems," says Mr Justham. "But at some stage in the redevelopment of Japan and south-east Asia, it will be an attractive way of recapitalising, and broadening the investor base for those Asian assets."

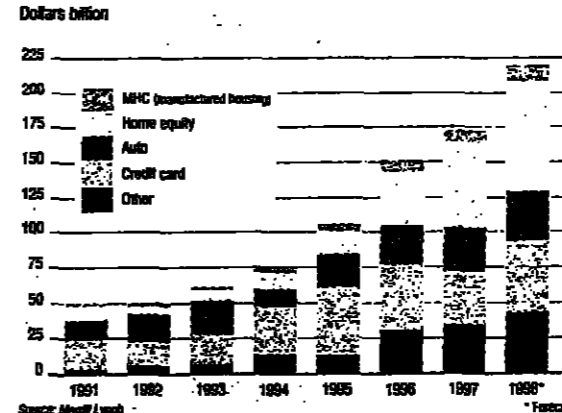
The Asian market produced record issuance last year despite the crisis, but it still amounted to only \$2.36bn, according to Moody's Investors Service, the credit rating agency.

In addition to regional opportunities, plenty of scope for new products exists. Securitisation has evolved from mortgage-backed bonds to the repackaging of intellectual copyright, as with the bonds backed by royalties from



New products: Securitisation has moved into the repackaging of intellectual copyright, such as bonds backed by royalties from David Bowie recordings

Asset-backed securities growth (US - public issuance)



David Bowie recordings. It has been used to finance films for Dreamworks and PolyGram, among others.

Nomura International, European arm of the Japanese investment bank, has gone a step further, by using it to finance acquisitions on the bank's own behalf.

Nomura has acquired rolling stock and telecoms equipment leasing companies, the UK's Ministry of Defence housing portfolio and several pub companies, using asset-backed securities to refinance the deals. This passed on risk, but kept a

large slice of the potential upside through "free" warrants on the equity.

This has introduced securitisation to the leveraged buy-out market and several investment banks have built up principal finance units around securitisation.

Another area for growth is property financing outside the US, with bonds backed by property leases. But for a technique that has become a standard financing tool for anything from tequila exports to plastic surgery loans, the possibilities are almost endless.

PROJECT FINANCE • by Rod Morrison

Beyond the numbers

Risks attached to infrastructure bonds depend on the origin of the revenues

Drawing rooms, kitchens and even bathrooms of western homes are often adorned with strange looking financial certificates dating from the late nineteenth or early twentieth centuries written in English, Spanish, French or Cyrillic. These bonds then financed much of the world's infrastructure. Some were repaid. Many were not - and so ended up hanging on a wall. What is the fate of today's infrastructure bonds?

A simple test is a proper analysis of the revenue stream - not just the numbers themselves but the origin of the revenues. A further distinction should be made between bonds in emerging and developed markets.

In emerging markets, bonds backing natural resource developments should be safe if the revenues are from exports to graded countries and are paid in dollars. The projects themselves might be in low investment grade countries but this need not be a factor as long as the host country is relatively stable.

Such bonds are not risk free, however. On the Ras Laffan liquefied natural gas (LNG) deal in Qatar, backed by a \$1.2bn bond, the buyer of the LNG is a Korean company. Since the Korean crisis, the bonds have been put under credit review but first deliveries of LNG are not due for 20 months. The same is true of the Petrozast oil production deal in Venezuela, financed by a \$1bn issue and which is still under construction. Since the bond was sold, world oil prices have fallen making the economics tighter, although not yet desperate.

Project finance issuance by sector and top six countries 1996-97

Sector	Amount (\$Bn)	Country	Amount (\$Bn)
Power	4.5	US	1.7
Infrastructure	3.2	UK	2.1
Oil & Gas	2.3	Qatar	1.3
Telecoms	1.3	Indonesia	1.1
Mining	0.9	Venezuela	1.0
Petrochemicals	0.1	Australia	0.8

Project finance bond issuance

Year	Amount (\$Bn)
1994	3.9
1995	3.8
1996	4.8
1997	7.5

Source: PFI Project Finance International

Desperate, however, is the word that could be applied to some emerging market deals where the bond is dollar denominated but the revenues are paid in local currency.

In Indonesia four bonds were issued on power projects and Moody's recently warned that these could default next year when construction is finished. The local buyer of the power, the state utility PLN, will be placed under intolerable financial stress when the plants are finished and it has to start paying out dollar linked revenues in local currency.

Within six months these bonds have dropped from a credit rating of BBB to CCC or worse and investors must be wondering why the fundamental problems were not spotted.

The role of the rating agencies is crucial in emerging markets on project bonds. Many investors do no work on analysing the credit but make investment decisions based on the investment rating and the spread price over US Treasury bonds. But since the Asian crisis, serious questions have been raised about the agencies' analysis.

At a recent project finance conference on bonds, Stan-

dard & Poor's project finance expert Peter Rigby said that the usual signs of a financial crisis were missing last year but future "projects must make economic sense. Projects that rely on above market pricing, government support and guarantees will be at risk." On currencies he added that "potential currency mismatches must be addressed but ultimately may be an inherent risk to infrastructure projects."

In the developed world the issues are different. Political risk is largely taken out of the equation and instead sponsors can push the boundaries further on purely commercial terms. But basic questions about the source of the revenue stream remain.

In the UK, the Private Finance Initiative (PFI) revenue stream is guaranteed by the fact the client of the project is an arm of the government. The bond is not sovereign guaranteed but, unless the contract has been structured badly, the project sponsor will be paid if he meets the contract's operational requirements.

The risk on these deals are usually limited to construction and the operation of the service. The Lewisham Docklands Light Railway (DLR) extension tunnel under the

River Thames, backed by a £165m bond provides one example.

Construction has been delayed by air from the tunnel blowing through the soil at the Isle of Dogs end. The tunnel had been deliberately pressurised as part of the construction process and is now flooded. However, contractor Mitsui provided strong guarantees to the bondholders on the construction risk.

Many PFI-style bonds are wrapped by a monoline insurer who takes on the risks for a fee. The bonds are sold as AAA credits. Sponsors have to provide extra guarantees to the monolines to achieve this form of finance.

The other type of project bonds in the developed world are subject to volume or market risks and are therefore riskier. In the telecoms sector, the picture is more worrying. Start-up companies with huge capital investment needs are tapping the higher yield unrated junk bond markets. The cost of finance is not as important for the sponsor as getting the finance itself and delaying repayment as long as possible.

In the power sector, the risk is lower. To receive an investment grade rating on a bond, essential to achieve cheap finance and be competitive in the pool trading markets, the rating agencies are imposing tough conditions on project sponsors. If the agencies stick to their guns, these deals should be more investor friendly. Guarantees required include a higher level of risk bearing equity in a financing structure and sponsor support to bond holders if market prices fall below a certain level. The latter was provided by Mobil on the Ras Laffan bond.

The author is editor of IFR Project Finance International.



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EUROPEAN HIGH YIELD SECURITIES • by Simon Davies

Junk bonds are back in fashion

High yield bonds are now among the fastest growing European asset classes

European junk is back, and all appears to be forgiven for the moment. The European junk bond market became synonymous with the excesses of the late 1980s, as companies such as Isocom and Magnet collapsed under a mountain of debt, and the fledgling Swiss junk bond market ground to a halt.

But junk bonds, or high yield as bankers prefer to call them, are among the fastest growing European asset classes.

Europe is still a long way behind the US. Last year, speculative grade bonds – that is, below the credit rating of BBB- for Standard & Poor's and Baad for Moody's – in European currencies amounted to less than \$2bn, compared with a \$130bn US market.

But Rick Deutsch, high yield bond analyst at Merrill Lynch, expects European issuance to be as high as \$8bn in 1998, and it is already well over \$2bn.

It has already become an standard part of the financing armoury for investment banks and venture capitalists, funding buy-outs of EMV and Waterstones, William Hill and most probably RNP's \$1bn packaging business.

The first significant issue came last year with the DM157m offer from Gerbert in April 1997. Since then, there has been a flood of issues.

So far, the business has been dominated by a handful of US banks, who have sold themselves on the basis of access to the US high yield investor base, in addition to their expertise back home.

But even with the benefits of global distribution, it has not been plain sailing in these early stages. So far,

Merrill Lynch has had to pull one issue, for Atlantic Telecom.

And a number of bond launches have been postponed, albeit primarily because of problems getting syndication for the loan element of a buy-out financing, as with IPC, William Hill and HMV Media.

There are certainly signs that the heavy issuance in the US high yield market is dampening demand from US investors for European high yield paper.

One banker reluctantly admitted that most of the deals are still being sold to US buyers, from distressed debt specialists to traditional high yield investors.

The level of European investor demand has not grown at the pace that investment bankers had hoped. And the fact that European deals have been more highly geared than the average US deal has created further resistance.

"There is some indignation at the moment. The envelope has been pushed out a little too radically for some investors. I think that we're going to have to pursue more conservative structures," says an investment banker at a US bank.

Nonetheless, there is a lot going for the high yield market at present. Traditionally, European investors did not need high yield credit, because they had Greek, Italian and Spanish government bonds. But with the convergence of interest rates and bond yields in continental Europe, Italian government bond yields have fallen by 800 basis points – or 8 per cent – in just three years.

Investors are having to look elsewhere for yield.

Moreover, there should be plenty of demand from issuers. It is estimated that there is between \$10bn and \$15bn of uninvested cash sitting in European-focused venture capital funds. This will be aggressively searching for a home, and will fund deals in

tandem with leveraged loans and junk bond issues.

Besides, the performance of high yield bonds in the secondary market has been respectable so far, with no knock-on effects from the current lack of enthusiasm towards new issues.

Merrill Lynch research on the US market has the high yield market offering a mean 1.02 per cent monthly return between 1985 and 1997. That compares with 0.63 per cent for 10-year Treasuries, and it includes several years when junk bonds generated double digit negative returns and a similar default rate.

Of course, equities did much better – the Nasdaq small companies index generated a 1.43 per cent monthly return over the same period. But the volatility in equities was significantly higher.

There are plenty of cynics suggesting that after a bull market that has exceeded most market participants' greatest fantasies, geared structures are to be avoided.

"At some stage, the conditions of the last few years with falling interest rates, rising profits and rising stock market valuations, is going to come to an end," says one venture capitalist.

"When that happens, a lot of these leveraged financings are going to go very sour."

However, Pierre-Olivier Masmejean, head of European high yield at Donaldson, Lufkin, Jenrette, says: "I don't see why it will be written on the wall that we will have a second high yield crisis. In the 1980s, it was fuelled by some questionable issues. People were too greedy and too short-sighted."

Clearly, a higher interest rate environment would feed through into reduced cash flows and a rising default rate. Bankers are hoping that this will not happen before they can offer investors the benefits of portfolio diversification of risk, through a proliferation of bond issues.

US HIGH YIELD SECURITIES • by Tracy Corrigan in New York

Enjoying quiet prosperity

Low interest rates have resulted in investors scurrying for higher returns

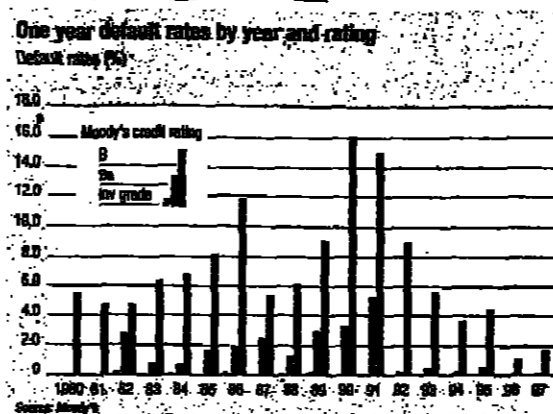
While news of mega-mergers and record levels on Wall Street continues to steal most of the headlines, the US high yield securities market is quietly prospering.

The current level of market activity is much higher than in the 1980s when high-yield or junk bonds were made famous by leveraged acquisitions such as that of RJR Nabisco.

In the first quarter of 1998, a record \$44.3bn of high yield or junk bonds was issued in the US market – more than twice the volume launched in the same period a year before, according to Securities Data, a research firm which tracks new issues.

The proportion of issuance in the Yankee market by foreign borrowers has risen to about 13 per cent of the total, double last year's rate, and outstanding bonds in the high-yield market have exceeded \$500bn, according to analysts.

"I'm hard pressed to see [issuance] continue to grow at this rate, but the backlog right now is huge," says Chad Leat, managing director and co-head of capital markets at Salomon Smith



Barney

The record volume is "driven by low interest rates, which are creating tremendous demand for fixed-income products," says Steven Ruggiero, managing director, securities research at Chase Securities.

Mr Ruggiero predicts that issuance will have beaten the 1996 total by the end of May, given the issues already in the calendar, but he also believes the pace of the first quarter will be hard to sustain.

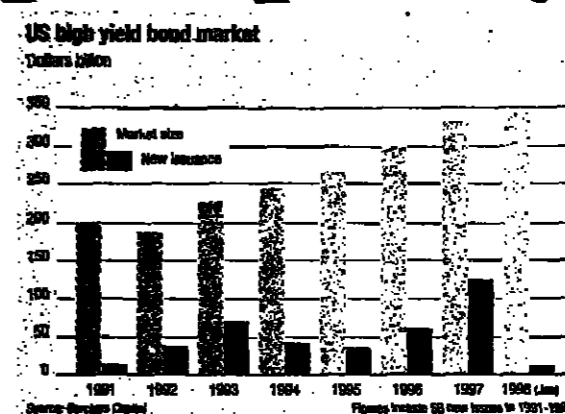
Low interest rates have encouraged company's to lock in relatively cheap financing, while on the other side of the equation, investors have been forced to look for higher returns than are offered by US Treasury or mainstream corporate bonds.

Moreover, although junk

bonds are issued by companies with weaker credit ratings, the strength of the US economy has led to a decline in the default rate for junk bonds.

Investor interest has also been driven by the strong performance of high-yield bonds. According to Chase, the CSI High Yield Index returned 12.5 per cent last year, outperforming both the 10-year Treasury, which returned 11.5 per cent, and investment grade corporate bonds – the Merrill Lynch Corporate Master returned 10.4 per cent.

However, the sector underperformed both emerging market bonds and US equities – the JP Morgan Emerging Market Bond Index returned 21.2 per cent and the S&P 500 index 33.4 per cent. But for US bond investors, high yield securi-



US high yield bond market

ties are viewed as an obvious alternative to investment grade bonds. Mr Leat says there has been strong buying by high-yield mutual funds, for example. He added that investors' appetite for unusual structures, such as zero-coupon high yield bonds and mezzanine – lower ranking debt – bond has grown, as investors become hungry for yield.

The size of individual deals has also been increasing. The performance of high-yield bonds has been enhanced by the fact that many companies have been repurchasing their outstanding high-yield bonds. So far this year, the value of such tender offers has been running at three times last year's level, analysts say.

The low default rate recently has helped to reduce the market's volatility. The default rate is now less than 1 per cent annually, according to Mr Ruggiero, compared with levels of around 12 per cent in 1990, which coincided with a period of weakness in the domestic economy.

However, there have been several defaults recently in the wireless cable sector, according to analysts. A series of wireless cable companies will need to restructure, Mr Ruggiero says, because they were not generating sufficient revenues to pay interest.

This does not seem to have caused investors any broader concern. Given the low level of defaults generally, and low US interest

rates, investors are still keen to "go for the big coupons and big returns," says one analyst.

Meanwhile, competition for underwriting high yield securities is becoming increasingly fierce, partly because of the entrance into the market of relative newcomers such as Chase, which ranks sixth in Securities Data's league table for the first quarter.

However, increasing competition resulted in a decline in underwriting margins last year to 1.77 percentage points from 2.31 points at the end of 1996.

Still, heavy underwriting volume means the sector remains extremely profitable. According to one Wall Street headhunter, departments involved in "high yield financings are practically at budget [for the year] already. It has been an exceptionally active first quarter."

What could derail the high-yield market? The market is undoubtedly sensitive to higher interest rates or to a weaker stock market. According to analysts, the performance of the sector has been highly correlated to the stock market, but so far nervousness that the stock market may be overvalued has simply increased enthusiasm for high yield bonds.

While it would be hurt by any big market correction, analysts say they hope that the extremes of volatility seen in the past will no longer occur, given the market's greater size and depth.

Total return (%) by rating category 1985-1997

Rating	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Average
BB	12.2	2.2	22.4	14.5	15.8	-2.2	22.5	8.0	13.0	12.1				
B	0.8	-8.9	28.4	19.1	17.4	-0.2	18.2	12.7	12.7	12.7				
CCC/CC	-13.5	-15.9	61.2	25.0	22.9	1.9	8.9	10.5	14.0	12.8				
Mezzan Index	4.2	-4.4	24.8	18.2	17.2	-1.2	18.9	11.1	12.8	12.5				

Source: Merrill Lynch & Co

Returns on selected asset categories, 1985-1997

	Three-month Treasury bill	Two-year Treasury	Mortgage-backed	High grade corporate	High yield	Mezzan. stocks	S&P 500
Average monthly return (%)	0.50	0.83	0.83	0.89	1.02	1.43	1.48
Standard deviation	0.19	1.32	2.25	1.55	1.59	5.31	4.21
Sharpe ratio	N/A	0.25	0.15	0.25	0.24	0.17	0.23

Source: Merrill Lynch & Co
* All mortgage-backed issues are 15-year Treasury bills backed by the standard definition of the total return

* All High Grade Corporate Master Index
* All High Yield Master Index
* All Mezzan. Stocks Master Index
* All S&P 500 Master Index

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6 INTERNATIONAL CAPITAL MARKETS

AMERICAN DEPOSITORY RECEIPTS • by John Labate in New York

Signs of a thaw

Stability is returning as investors and issuers enter the ADR market

The winds of Asia's currency crisis sent a chill through the market in American depositary receipts, or ADRs, in late 1997. Many US investors moved fast to reduce their overseas exposures in the wake of the 554 point plunge in the Dow Jones Industrial Average in late October preferring to hold up in safer domestic blue chip shares. The result was a sharp plunge in ADR market, as share prices fell and

issuing companies chose to wait out the storm for calmer seas in which to float new shares.

Now well into 1998, there are convincing signs that a thaw is under way. Greater stability is returning to the market as a whole, and investors and issuers are selectively willing to enter the ADR market. Regions hardest hit by tumbling currency values, however, continue to struggle.

ADRs operate as equity stakes in non-US companies. They trade on US exchanges and offer investors a few major conveniences since ADRs generally bypass the customary clearance and settlement differences between

countries and tend to complicate their ownership and trading from abroad. When news breaks far flung investors can therefore react with greater speed when either selling or buying ADRs than they could with traditional, or original, shares traded on the company's home-country market. As a result, ADR prices tend to rise and fall in tandem with the original shares traded on the home-country exchange.

For companies that issue them, ADRs offer a unique opportunity to raise capital in US markets, exposing non-US companies to a broader audience of potential investors. Some analysts also believe ADRs can provide a buffer to a company's shares from sharp falls in the company's home exchange, by spreading a company's capital base to steeper markets in the US.

ADRs also offer an important growth vehicle for US exchanges. In recent months both the New York Stock Exchange and the Nasdaq market have set ambitious goals of doubling their number of non-US listings in the next few years.

After last year's plunge in the US stock market, many companies that had planned to issue ADRs in the fourth quarter of 1997 and the first quarter of 1998 postponed those plans. But after a sluggish start to the year, ADR

Ten largest ADRs in 1998 to April 22

Issuer	Offer date	Origin	Capital raised in US principal amount \$m
ACE	Apr 14	Bermuda	608.4
Telecom Corp of New Zealand	Apr 04	New Zealand	428.5
Amendy and Life RE Holdings	Apr 08	Bermuda	298.2
Koninklijke Ahold	Mar 21	Netherlands	261.1
Corporación Bancaria de España	Feb 18	Spain	204.1
Yanzhou Coal Mining Company	Mar 27	China	116.2
Scandinavian Broadcasting	Mar 25	Sweden	102.1
Global - Tech Applications	Apr 08	Hong Kong	79.3
Royal Olympic Games	Feb 04	Germany	73.2
Deutsche Internationale	Feb 20	Canada	70.4

Source: Securities Data Company

activity has only recently managed to turn around with gusto. "We had a pick up starting in February, and it accelerated in March," says James Donovan, managing director of Citibank's ADR programme.

The size of new ADR

issues, as measured by the amount of capital raised in their offerings, has increased in recent weeks. Seven of the 10 largest ADR deals to hit the US market in 1998 came in late March or after.

Like shares of stock, ADRs can be split into two tiers,

initial and secondary offerings. The results of these two sectors have differed greatly so far in 1998.

First, new ADR listings have slowed considerably from the previous year, both in terms of the number of new issues and dollars raised in the US. According to Securities Data, the New Jersey-based research firm, 18 new ADR listings were launched on US exchanges as of April 22. Those deals have raised a total of \$1.03bn within the US, led by the largest initial ADR listing, Annuity and Life RE Holdings of Bermuda, at \$268m.

By the same date a year ago, 25 new ADRs had been launched in the corresponding period, raising a healthier \$1.3bn. This suggests there remains a lingering Asian-effect on new issues. Companies without existing

ADR programmes have slowed their pace of expansion in the US, while investors have bid less to such new deals.

In the secondary ADR market, however, the amount raised has increased substantially. As of April 22, nine secondary issues have raised a total \$1.5bn, led by Bermuda's ACE which raised \$606m. The total of money raised is more than double the amount raised by the same number of deals last year, at \$832m.

The south-east Asian countries worst hit by falling currencies have not turned a corner, but that could benefit others. Companies based in eastern Europe are said to be accelerating their plans to enter the US ADR market. "They see there is money looking for good investments," says Mr Donovan.

INITIAL PUBLIC OFFERINGS • by John Labate in New York

Slim volume thus far

Investors are still keen to buy, especially any stock carrying an internet label

Initial public offerings, like most areas of interest on Wall Street, have managed more than a few surprises in early 1998. With share prices soaring, but the volume of new deals down, the market for new listings got off to a mixed start this year.

Investor enthusiasm for newly public companies remains high, especially for high-technology issues and almost anything related to the internet.

Look no farther than the most recent stunning success, Broadcom. The company, a producer of semiconductor chips in cable modems, launched its initial offering in mid-April. Shares were priced at \$24, began trading at \$30 on its first day of trade, then shot up to \$70. By the end of its first day the stock closed at \$53.

But another trend is perhaps even more telling. The first quarter and the initial weeks of the second quarter

Ten best performing IPOs of 1998

Issuer	Offer date	Offer price \$	Price as of 17/04/98 \$	% change 17/04/98 to offer price
Verisign	Jan 29	14.00	42.35	202.7
Visual Networks	Feb 05	12.50	35.00	180.0
Excelsior Communications	Mar 18	15.00	40.00	166.7
DoubleClick, Inc.	Feb 20	17.00	41.13	141.9
ACSYS	Feb 05	8.50	19.58	131.6
ISS Group	Mar 23	22.00	50.38	128.0
Broadcom	Apr 16	24.00	53.53	123.4
Global TeleSystems Group	Feb 04	20.00	43.00	115.0
Micromuse	Feb 12	12.00	25.63	113.5
CD Now	Feb 05	16.00	34.00	112.5

Source: Securities Data Company

Ten worst performing IPOs of 1998

Issuer	Offer date	Offer price \$	Price as of 17/04/98 \$	% change 17/04/98 to offer price
Rockwell Medical Technologies	Jan 28	4.00	1.44	-94.1
EarthShel Capital Corp	Mar 23	21.00	14.58	-31.0
Diversified Senior Services	Jan 09	5.00	3.75	-25.0
Harvey Electronics	Apr 01	5.00	3.75	-25.0
Tam Restaurants	Feb 19	5.00	3.88	-22.5
Med-Emory International	Feb 12	4.25	3.31	-22.0
L.I. Biosystems	Mar 13	7.00	5.53	-19.9
Tagit Pacific	Jan 28	4.00	3.60	-12.5
Vysis	Feb 04	12.00	10.50	-12.5
USN Communications	Feb 03	16.00	14.06	-12.1

Source: Securities Data Company

of 1998 have produced a surprisingly slim volume of initial public offerings compared to previous years.

Although recent weeks have suggested a turnaround is on the way, the slower pace of IPOs thus far is surprising given the healthy level of the stock market, with the Dow Jones Industrial Average trading about the 9,000 level and the Standard & Poor's 500 near 1,100.

While the first quarter is usually the quietest period of any year for first-time floatations, the past few months have proved unusually slow. IPO volume, measured by

the number of new listings to go public, is down 15 per cent on the same period in 1997, according to the Securities Data Company, the research firm based in New York.

The number of initial offerings on US exchanges reached 129 through the middle of April 1998, compared with 152 during the same period last year, according to SDC. The current rate is the quietest volume of IPOs to reach the market since 1995.

If just US IPOs are considered, the pace is now at its slowest since 1991. With the Dow Jones Indus-

trial Average and the Standard & Poor's 500 each with double digit gains since January 1, why aren't IPOs pouring into the market?

One answer seems to be that the market collapse late last October sent shock waves well into 1998.

"Every year the highest percentage of IPO issuers are in technology, and we had a horrible fourth quarter in the tech sector," says W. Russell Ramsey, a founding partner at Friedman, Billings, Ramsey, a leading IPO underwriter based in northern Virginia. Investors were much

slower to return to small cap shares than robust, safer, blue-chip names. Mr Ramsey believes that the period of uncertainty late last year has resulted in some companies remaining on the sidelines rather than risk exposure.

Another explanation for the thin IPO volume is that small companies are using a rival "exit strategy" to IPOs. The theory is that the rise in the share prices of large companies has made it easier for them to pick off smaller start-up companies through mergers and acquisitions.

"Many of these companies are opting to be bought by the larger firms," says Robert Natale, of Standard & Poor's. Companies such as Microsoft and Cisco Systems have long had a hunger for swallowing promising new startups.

While fewer deals are being done, the average size of the new offerings is growing. "Clearly there were fewer transactions, but the amount of proceeds in IPOs is about 40 per cent higher than last year," says Mr Ramsey.

Whatever the reason for the thinning volume, investor sentiment for the sector remains robust. According to

Securities Data, the average share price gain for 1998 IPOs has jumped to about 30 per cent.

Nine of the top 10 best performing IPOs so far in 1998 are technology shares, and nearly half of the top 10 are internet companies.

As of April 17, Verisign, an online security service, led the pack, trading at more than 200 per cent above its

offer price.

DoubleClick, another internet company, is an online advertising network that has more than doubled in value since going public at \$17 in late February.

ACSYS is the sole top 10 IPO not in technology. The company, which provides staffing services, recently traded at more than twice its offer price of \$5.50.

Highlighting the risks involved with IPO investing is the list of worst performing IPOs.

Many health-related shares have not found favour with investors. Several top the list of recent poor performers, including Rockwell Medical Technologies, which has plunged to \$1.44 since its January offering.



After the up-starts: the rise in the share prices of large companies, such as Microsoft, has made it easier for them to pick off smaller start-up companies through mergers and acquisitions AP

SYNDICATED LOANS • by Simon Davies

State of considerable flux

The virtual absence of Japanese banks has taken its toll on the market

The syndicated loan business is in a state of almost unprecedented flux. For only the second time in close to two decades, margins on loans have been widening, reflecting the decline in the amount of capital available in the market.

The most significant factors have been the near disappearance of the Japanese banks after the Asian crisis and the relatively unprofitable nature of a number of the loans.

Japanese banks have turned their attention to problems in their domestic markets, and the so-called Japan premium has meant an increase in the cost of capital for many banks.

Historically, they have provided an estimated 15 per cent of finance for the syndicated loan market, but in the first quarter of this year the number was below five. "It would be an optimist indeed who expected the Japanese banks to come back as a force in the next six months," says Tim Ritchie, a managing director at Barclays Capital.

Bank mergers, such as the combination of Swiss Bank Corp and Union Bank of Switzerland, have also taken out loan funding capacity. And the increasing focus on returns on capital among European banks has driven home the fact that syndicated loans have been scarcely profitable for many

of the participants. Banks took on loans in the hope of ancillary business, but this has been insufficient to justify the terms of many deals.

Demand for loans has also declined. Many large corporations took advantage of cheap standby finance in 1996 and 1997.

Mr Ritchie points out that emerging market transactions accounted for about 40 per cent of total euro-market deals last year, but this plummeted after the Asian crisis, as credit spreads widened dramatically and bankers became more selective.

As a result, Capital Data Loansware estimates that the value of deals signed in the first quarter of this year fell by one third to \$58bn.

It is hard to pinpoint the effect of this on pricing. Most bankers estimate that pricing for big UK companies - such as Reuters, which came to the market in January - has widened by five or more basis points, compared with a year earlier. Certainly, CDS is paying 12½ basis points more for its latest syndicated loan than it did in 1996, and Ciba faced similar pressure, when it funded the Allied Colloids acquisition.

The \$1bn loan for Incentive, the Wallenberg family's investment vehicle, struggled to drum up commitments, despite the allure of becoming a Wallenberg relationship bank.

In the US market there has been the additional problem that several big European banks have been focusing their attentions on European deals.

Tim Elliot, a managing director at JP Morgan, says: "The right borrower can still get the aggressive transaction done, so long as it is handled correctly. But the market will probably shrink this year. So many people have done their core standby deals during the trough in pricing. The question is, will the volumes be replaced by one-off special purpose deals."

One area where there is still significant activity is in leveraged loans - loans to non-investment grade credits. This has ballooned with the activity in European leveraged buy-outs.

More than \$8bn of deals look set to be completed in the first half of year, against \$4.5bn in the first half of 1997. And Graham Clumpson, managing director at Bankers Trust, says: "We think the leveraged loan market can continue at this run rate in Europe. There is a marked trend towards bigger and bigger deals."

Given the pick-up in activity, there have inevitably been problems. IPC and William Hill both struggled to gain broad syndication, and Merrill Lynch had to pull its loan for HMV Media until it could find a structure that other bankers would accept.

Given the pace of growth in the market, such teething problems are inevitable, and banks are now throwing enormous resources at this segment of the market. US investment banks in particular are trying to force their way into what they see as a potentially high-growth business, in tandem with the junk bond market.

Of course, the European loan market has seen such

enthusiasm before. Deals such as Magnet and Isosceles collapsed famously in the late 1980s and early 1990s. But for the moment, this is a bandwagon that everyone appears to want to jump on.

European economic and monetary union should also be a useful catalyst for the market's development. By encouraging the development of a broad and liquid capital market, it should encourage more companies to access the loan market, as well as issue bonds.

Indeed, it is likely to encourage large scale fund raising in Europe by US multinationals that have been put off by fragmented European capital markets. They will be encouraged by the Loan Market Association's recent draft document on a code of practice for the secondary trading of syndicated loans.

Last year saw the launch of two substantial loans that were tradeable, namely ICI and BAT Industries, but the LMA should facilitate the development of a liquid secondary market. This would clearly be desirable for banks - the growth in the securitisation of loan portfolios is evidence of the banks' demand for refinancing portfolios.

In theory, it should be more attractive to borrowers as well as greater liquidity should bring with it more attractive pricing. This has yet to happen - ICI and BAT had little choice, because of the size of the deals - but the LMA move to formalise the market would be a definite push in the right direction.

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دولتي

FUTURES • by Samer Iskandar

Battle moves to new ground

As Liffe embraces electronic trading, the race for market share changes direction

The decision in March by the London International Financial Futures and Options Exchange to adopt electronic trading has lifted one of the main uncertainties weighing on the European derivatives landscape.

It is now all but certain that the continent's most actively traded contracts will be listed on one or more electronic platforms by the end of next year.

Liffe's decision also shifted the battle for market share on to a new ground. The typical open outcry-versus-electronic trading debate has now turned to Frankfurt-versus-London as Europe's future financial capital.

With the Frankfurt-based Deutsche Terminbörse steeling the lead from Liffe in

long-term German bond trading, observers predict the next battle will be for the dominance of short-term interest rate futures (STIRs). Liffe still dominates this segment of the market, with a quasi-monopoly on the three-month D-Mark future, which is seen as the strongest candidate to become the reference contract for the planned single currency - the euro.

The London-based exchange is also hoping its lead in STIRs will be reinforced by the recent decision to launch a contract on three-month interest rates on the euro. Liffe is betting that the new futures and options will become EU-wide benchmarks. Its existing contracts on the Ecu, the basket of European currencies, will automatically merge into the Euro contracts after the introduction of the single currency next January.

Ecu will be converted to euros at a one-to-one rate.

Existing futures and options on German and Italian interest rates will also converge towards the euro contract, provided both currencies are founding members of economic and monetary union. The conversion of these contracts, however, will be less straightforward because they will require some rounding.

The DTF's chances of competing against Liffe in the STIR segment will depend on several factors.

First, the German exchange will have to decide whether to create a new range of euro-denominated products or change the denomination of its existing D-Mark contracts once the exchange rate of the D-Mark against the euro is fixed.

Second, the DTF will have to choose a reference rate against which its products will be settled. Liffe has already opted for the London Interbank Offered Rate - Libor - compiled by the British Bankers Association.



Traders outside Liffe: the decision to adopt electronic trading has lifted one of the main sources of uncertainty weighing on the derivatives landscape

Liffe's existing contracts on the Ecu, D-Mark and Italian lira are all based on the BBA's respective Libor rates for these currencies.

Unlike Liffe, which has to avoid shocks that could unsettle its well-established contracts from their leading positions, DTF can afford to take risks. With an almost negligible share of the three-month euro-mark market, it has a lot to gain and little to lose by introducing radical changes to the product's characteristics.

The DTF might be tempted to differentiate its contract from Liffe's, for

example, by using a different benchmark such as Euribor - the pan-European reference rate advocated by the European Banking Federation and the Association Camille International, a foreign exchange trade group.

Matif, the French derivatives exchange operated by SEF-Paris Bourse, has already chosen to peg its Fibor three-month future to Euribor from next January. Choosing the same benchmark would allow the DTF to pool its resources and customer base with Matif's.

Such a strategy would also help to reinforce links

between the two exchanges, which are planning to offer their contracts on a single electronic trading platform from next year, as part of a co-operation agreement called Euro Alliance.

However, choosing Euribor as a reference could be risky. Bankers in London are sceptical about Euribor's chances of imposing itself as a benchmark, in spite of the French - and, to a lesser extent, German - political determination to make European banks adopt it.

Analysts are predicting that Euribor will on average be higher than Euro Libor

by a few basis points. This is due to the presence of banks with low credit ratings in the sample of roughly 60 contributors. Euro Libor, in contrast, will reflect the best rate available to the highest quality of borrowers.

The outcome of the expected battle over STIRs will also be determined by trading costs. The DTF's dominance of the bond contract was made possible mainly by the exchange's cheaper electronic platform, which allowed it to charge users lower fees than Liffe.

Liffe believes that traders of short-term interest rate

contracts are less sensitive to cost. The success of its STIRs, Liffe claims, is attributable to the open outcry floor trading method, which makes it easier to implement complicated trades combining a wider range of maturities.

But Liffe, which says its planned electronic platform will be "capable" of trading all its products, still has to decide whether it will shift STIRs on to the system. After a series of tough decisions in recent weeks, this remaining choice might yet prove one of the exchange's biggest challenges.

DERIVATIVES • by Samer Iskandar

The search for growth

The battle over a benchmark rate is crucial to London's financial future

With European economic and monetary union all but certain to go ahead with 11 members from next January, derivatives experts are scrambling to find the next growth area.

The removal of up to 11 national currencies and the convergence of interest rates and bond yields of participating countries will reduce hedging needs substantially. This is likely to result in lower trading volumes on some of the most actively traded derivatives.

Emu also raises questions about the continuity of existing contracts based on currencies that are about to disappear.

While currency swaps are likely to decline dramatically, interest rate swaps should become a larger, more integrated and more efficient market. The development of this sector, however, is conditional on the adoption of a widely-recognised benchmark for short-term interest rates.

Two rival groups, the British Bankers Association and the European Banking Federation and the Association Camille International (representing the foreign exchange business), are fighting over which reference rate should be used - Euro Libor and Euribor, respectively.

In private, a large number of participants active in the swaps market admit their preference for Euro Libor, which makes the transition for existing long-term contracts less uncertain.

However, continental European banks, French banks in particular, are being encouraged by the monetary authorities to favour the Euribor rate.

The battle between Libor and Euribor will determine whether London remains Europe's financial capital, or if this status shifts to the continent," says Michel Péré, global head of derivatives at Paribas.

The main differences between the two rates stem from the choice of participating banks. The Euribor index will be an average of rates quoted by some 60 banks from every EU country, as well as a handful of overseas banks.

The Euro Libor rate will be compiled and published by the British Bankers Association in the same manner as Libor rates on existing currencies. The Libor rates are averages of between eight and 16 lending rates, representing only the most creditworthy banks.

"To get 60 banks in a sample, you have to go down the credit curve," says one banker in London. "You are no longer talking of the best rate available to the best borrowers."

Proponents of Euro Libor also claim the index will make for an easier transition from national Libor rates on

existing contracts that mature after Emu. Most outstanding interest rate swaps are based on Libor rates.

In practice, the swaps market in euros is still in its early days, with few active participants. Because the exact composition of the single currency is not yet known, existing swap agreements have been designed with forward starting dates of January 1999 or later.

"We may well see split allegiances for some time, but the market is bound to converge on one benchmark eventually," says Paul Daniel, head of fixed income for Europe at Morgan Stanley Dean Witter.

Analysts also predict that other markets will develop after the euro's introduction. Growth in currency swaps between the euro and the dollar, for example, is likely to pick up.

As the Emu area expands, some existing segments of the interest rate swaps market should see increased activity. This is already the case with the Greek drachma, where swaps have become more liquid since Greece joined the Exchange Rate Mechanism in March, in anticipation of Emu participation.

"We are seeing the emergence of new swaps business in eastern European currencies, on the back of the expected continuation of the convergence process," says Frédéric Janbon, global head of interest rate derivatives at Paribas.

Other promising sectors include equity derivatives, which should benefit from the introduction of pension funds in countries such as France. "Pension fund investors who will be exposed to equities for the first time, will want savings vehicles with guaranteed returns," says one French banker. "This is where derivatives have a role to play. The growth momentum is very strong in equity derivatives."

Appetite for emerging market investment, which is making a come-back after the Asian crisis, should also bring about innovations. As one US banker says: "People got burned in the emerging markets. They want to get back in, but this time round they will not get involved without decent protection."

The Asian crisis has also highlighted the importance of credit derivatives, a small but fast-growing market. As the number of defaults by Asian borrowers increased, investors realised that managing default risk was becoming as important as calculating currency and market risk. "Credit derivatives are one of the next growth areas," says Mark Rodriguez, head of the global risk management practice at American Management Systems, the information technology consultants.

A recent survey published by Risk, the financial risk management magazine, estimates the credit derivatives market at \$18bn and predicts it could grow to as much as \$2,000bn by 2000 in terms of underlying amount.

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8 INTERNATIONAL CAPITAL MARKETS

ASIAN BOND MARKETS • by John Ridding in Hong Kong

A way out of the crisis

Lack of long-term funding played a big part in causing the region's troubles

Amid the upheaval of Asia's financial crisis, one lesson seems clear.

"The only way out is to mobilise private sector resources," says Donald Tsang, Hong Kong's financial secretary. "We need to develop a deep and liquid bond market in the region."

While officials, economists and fund managers are divided over regional issues ranging from recovery prospects to the role of the IMF, all agree that the lack of efficient long-term funding has played a big part in the region's crisis and must be remedied to prevent a repeat.

Encouraging signs are emerging. Both Hong Kong and Singapore are taking steps to develop the institutions and market infrastructure required for bond market development.

But the crisis which the measures are intended to address could itself complicate progress, and the foundations for the industry are surprisingly shallow.

While the capitalisation of the US bond market is substantially in excess of US gross domestic product, the bond markets in east Asia's developed economies average about 30 per cent of GDP

according to World Bank statistics.

Liquidity ratios for bond markets in the region – the average daily turnover as a percentage of outstanding bonds – is less than one for most economies.

That partly reflects the fact that much of the domestic bond market that does exist is effectively comprised of short-term syndicated loans, where the banking syndicate buys the debt and holds it to maturity.

This gap in financial markets is easy to explain. Most governments have avoided funding development through fiscal deficits and have felt little pressure to issue bonds.

On the corporate side, ready access to bank loans and, more recently, surging equity markets have provided easy and relatively cheap capital.

The results are now equally clear. The high levels of short-term debt and a hazardous maturity mismatch between borrowing and revenue has pushed many regional companies to the wall.

Although it was the combination of devaluation and US dollar debts that proved fatal for many of the corporate casualties, the reliance on bank funding was already excessive.

"Asia's need for capital outpaced the ability of its markets to intermediate capital flows and it has been left too dependent on short-term

bank borrowing," says Kevan Watts, chief operating officer of Merrill Lynch Asia Pacific.

"With deeper bond markets there would have been greater diversification of funding and much less risky alternatives," adds a director from another Hong Kong investment bank.

For the moment the very turmoil which has highlighted the need for bond market development has led to a hiatus in activity. With yields surging and ratings falling to junk bond status, issuers are being forced to bide their time.

But once stability is restored most expect a swift return to the fray, with Korea expected to lead the way in terms of size and timing.

"Obviously it won't be an easy sell," says the head of fixed income at one European bank. "But this has had a sobering effect on regional governments and they will probably be realistic about the terms of issue."

In addition to short-term preparations, more fundamental reforms are afoot. Hong Kong has launched a Mortgage Corporation which will buy and securitise housing loans from banks.

In conjunction with the planned launch of its Mandatory Provident Fund, a compulsory pension scheme, this will help to develop supply and demand for fixed income securities.

The territory has already



Donald Tsang, Hong Kong's financial secretary: "The only way out is to mobilise private sector resources"

been seeking to foster a bond market through government issues and the development of a yield curve – a government benchmark against which corporate bonds can be priced.

Maturities for exchange fund bills, effectively treasury bills, now extend up to 10 years.

Eager to sharpen its competitive edge as a financial centre, and with the aim of narrowing the gap with Hong Kong, Singapore has recently announced its own package of deregulation

measures. Although the initiatives cover a broad range of businesses, the development of a bond market is among the goals.

Lee Hsien Loong, deputy prime minister, said in February that the government had accepted almost all the ideas suggested by a committee of bankers aimed at boosting the island state's financial services industry.

He said the government would place a greater proportion of public reserves with private funds and

would issue longer-term debt to allow benchmarking for corporate issues.

The financial committee also proposed that pension funds should invest in bonds and that banks or companies with government backing should issue debt.

Most in the industry believes Hong Kong has an edge in the competition to build a role as a regional bond centre. It already has several quasi-government institutions issuing bonds, including the Mass Transit Railway Corporation, and

has a broader and deeper infrastructure in support of businesses.

"Hong Kong is the main banking centre outside Japan, and it also has the back-up services in law and accountancy which you would need to expand the bond market," says the head of treasury at one investment bank.

"It also has a deeper market for interest-rate swaps and a transparent derivatives regime, which are useful auxiliaries for a bond market."

With north-east Asia and the members of Asean all lacking long-term fixed income funding, however, there may well be room for several bond trading and institution centres. There is certainly a need.

"Frankly, in terms of regional prospects it doesn't matter where the trading centres develop," says one Asian finance official. "What matters is that we mobilise our high savings rates and channel them through more efficient and safer instruments."

JAPAN • Gillian Tett in Tokyo

No longer a Cinderella

Big changes are afoot as the barriers to expansion are brought down

Japan's capital markets have long appeared to be the Cinderella of the country's financial world. In a country with seven of the world's largest 10 banks, Japan's capital markets have traditionally taken second place to the giant banking industry.

But a dramatic change is afoot. Over the past year the corporate bond market has surged: preliminary estimates calculate that straight corporate bond issues reached a record ¥8,700bn in fiscal 1997, 54 per cent higher than the previous year.

With Japan's total government and non-government bond market now worth an estimated ¥50,000bn, hopes are rising that the surge will continue. As Stuart Baker, managing director with Barclays Capital in Tokyo says: "There has been an enormous pick up in corporate issuance in the last year."

"It is quite clear to us that the market is going to continue to grow rapidly."

That corporate surge reflects both short and long-term shifts in the Japanese market. In recent months, the country's big

banks have been trimming their lending, as a result of their mounting financial problems.

With their capital bases shrinking, banks have been forced to cut assets to meet international capital adequacy standards for the fiscal year ending March 31. In the year to March, for example, banks loans fell 1.6 per cent – the biggest fall seen this decade.

This reduction has left many companies facing a cash squeeze. The government has tried to help smaller companies by pledging ¥23,000bn worth of new loans from government financial institutions. The squeeze, however, has encouraged many larger companies to turn to the capital markets.

Earlier this year Mitsubishi Heavy Industries, for example, issued ¥100bn straight bonds for the first time in six years, saying that bank lending has failed to meet its credit needs. Toyota, the car group, recently floated a ¥200bn issue – the largest straight corporate bond issue ever made in Japan.

The surge also reflects longer term changes in Japan's economy. As the country's population ages, the government is making a determined effort to stimulate the capital markets as part of a broader package of financial reforms.

This initiative is of critical importance because

Japan is highly inefficient at allocating capital. The reason for this is that the financial system set up after the second world war was primarily aimed at converting the country's vast savings into cheap loans to support industrial growth, via the banks.

Capital markets were consequently poorly developed, compared to those of other western countries.

This system helped build Japan's industrial machine. But it is coming under growing strain: with Japan's ageing population, it needs higher returns than those being offered by Japanese banks, which dominate the savings market.

To address this, the government has drawn up a wide-ranging programme of financial deregulation, dubbed "Big Bang" after the reforms that took place in London in 1986.

The programme does not explicitly aim to clip the wings of the banks but this is widely understood to be an implicit goal.

As Yoshiaki Kaneko, senior managing director of the Tokyo Stock Exchange says: "Japan's economy is currently based around indirect financing (from banks). But in future direct financing (through the capital markets) will prevail."

In line with this goal, "Big Bang" includes reforms designed to inject more freedom into the capital markets. During fiscal

1998, for example, non-bank financial institutions will be allowed to issue straight bonds and commercial paper for the first time. Japan's fast growing consumer finance groups, such as Tokai-Mitsubishi, are expected to be among the first groups to keep at the chance.

In fiscal 1999 all banks will be permitted to issue bonds as well (at present the right is generally limited to long-term credit banks.) Meanwhile, as a host of industry barriers are removed, it will become easier for banks to enter the securities dealing business through subsidiaries.

This is likely to spur new competition: since banks were permitted to enter the bond underwriting market four years ago some groups, such as Industrial Bank of Japan, have become serious competitors to the Japanese brokers.

Greater innovation will also be encouraged by the removal of some restrictions on products, such as advanced form of derivatives. A broader range of investment trusts will be permitted, in an effort to stimulate consumer appetite for securities investments.

Meanwhile, efforts are being made to expand Japan's under-developed securitisation market, by making it easier to establish special purpose companies.

Although the securitisation market is a mere ¥6,000bn, many observers

are predicting that it will rise sharply – particularly since the financial pressures on the banks are encouraging some to securitise their assets.

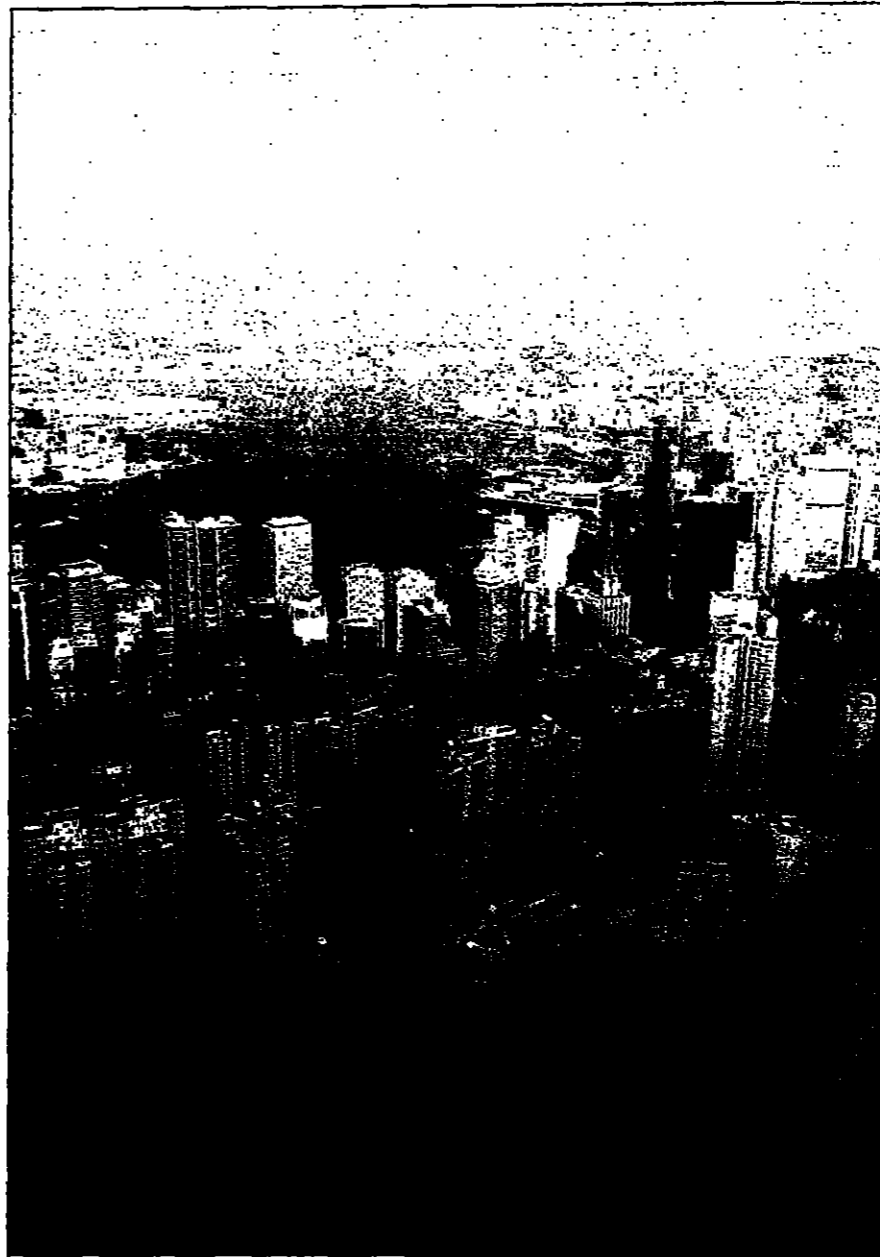
As David Atkinson of the US investment bank Goldman Sachs says: "Japanese financial markets are inefficient because banks have fantastic quantities of assets on their balance sheets at incredibly low spreads which belong in the capital markets. This needs to change."

How quickly such a shift will occur remains unclear – not least because problems still hamper Japan's efforts to create a truly efficient capital market.

It does not yet have the legal system to support a massive securitisation wave. The short-term government bond markets remain relatively underdeveloped. The prefectural bond market continues to be hampered by the fact that different government regions are still forced to issue bonds at identical rates.

Meanwhile, the tax system is a distinct deterrent to foreign investors: Japan is unique in the Group of Seven in imposing a withholding tax which penalizes non-residents who wish to trade.

Nevertheless, in spite of these problems, the upward trend is clear. "In the next few years we think this market will really take off," argues Mr Baker, who is expanding his team in Tokyo in anticipation of the changes. "It is a very exciting time."



Encouraging signs: along with Singapore, Hong Kong is taking steps to develop the institutions and market infrastructure required for bond market development

Sarah Morris



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AUSTRALIA • by Gwen Robinson in Sydney

Foot on the accelerator

The aim is to turn the country into a regional financial and business centre

Moves by the Australian government and the private sector have converged to accelerate the drive to transform the country into a regional financial and business centre. Leading the way are the government's ambitious plans to overhaul banking regulations and corporate law.

Australian capital markets, meanwhile, are pursuing ambitious plans to consolidate the new momentum.

The Australian futures and stock markets have recorded overall growth in turnover and capitalisation over the past year, in spite of the Asian financial crisis which has affected investment inflows.

The Australian Stock Exchange is due to demutualise and list itself later this year, in a move that will be closely watched by regional markets.

The Sydney Futures Exchange, meanwhile, is planning to become the first large futures market to make its operations fully electronic, replacing its traditional open-outcry trading

system with a computerised system.

The switch to on-screen trading, which is expected early next year, follows the SFE's move to eleventh from fifteenth position in global rankings in March, according to the Futures Industry Association which represents more than 50 futures markets around the world.

The government's financial reform programme fits in neatly with planned market changes and it has been stepped up in order to attract regional investors following the Asian crisis.

The programme will deal with a range of issues, from streamlining procedures for corporate takeovers to lowering the costs of fund-raising and easing regulation of banks and financial institutions.

The initial changes to banking regulations, which were announced in March, led to banking licences being granted to AMP, Australia's largest insurance and financial services group, and Rothschild Australia, an arm of UK-based Rothschild & Son.

The approvals reflect the new licensing flexibilities and emphasis on promoting competition in the banking sector, Peter Costello, Australian treasurer, says.

The licences enable AMP and Rothschild, the first foreign bank to gain authority under the new rules, to establish banks through holding company structures.

In the past, financial groups with banking operations were generally not permitted to set up non-operating holding company structures.

Most of the proposed reforms, based on the recommendations of the 1996 "Wallis inquiry" into financial system reform, must be approved by parliament. Mr Costello says he is confident of wide support for a programme which he says will demonstrate to the world that "Australia is the right place in which to do business on a regional basis".

Government officials say that the Asian crisis has added impetus to the government's push. It has faced mounting criticism that it was dragging its feet over the Wallis recommendations but Mr Costello now hopes to have the most important reforms approved by July this year. He has already established two new regulatory "super-bodies" to advise on and oversee the changes.

Under the proposed reforms, oversight for all deposit-taking institutions such as banks and credit unions would be shifted from the central bank to a

single regulator, the Australian Prudential Regulation Authority (APRA).

The new authority would take over the prudential regulatory powers of the Reserve Bank of Australia, and would eventually take charge of the supervision of all deposit-taking institutions, insurance companies and superannuation funds.

The body would combine the supervisory structures of three national and six state regulatory bodies. By the end of the year, other non-bank financial institutions would be moved to a common prudential regime under APRA, Mr Costello says. APRA is expected to begin operations on July 1.

Another new body, the Australian Securities and Investments Commission, will take over the corporate regulatory functions of the Australian Securities Commission, the main corporate regulator, as well as taking charge of the consumer protection and watchdog functions of bodies such as the Insurance and Superannuation Commission.

Rothschilds says that the banking license will allow it to compete on a "level playing field". It adds that while the range of products it offers in Australia will not change significantly, it is important that competition with existing Aus-

tralian banks will be governed by common rules.

In changes to corporate law on takeovers and corporate fund-raising will be relaxed under reforms that will also improve company reporting standards and facilitate the spread of electronic commerce.

The time and costs which are associated with banking and capital market transactions, especially small company capital raising and takeovers, will be more than halved, according to officials.

But one critical barrier to Australia's goal of becoming a financial centre remains: tax reform.

This obstacle is the hardest to overcome. Mr Costello acknowledges that the corporate tax regimes in regional centres such as Singapore are still more attractive to international financial services companies. Australian tax rates, which are substantially higher than the 15-20 per cent levels in Singapore and Hong Kong, cannot seriously compete with south-east Asian financial centres. Taxation, says Mr Costello, is "the only area where Australia lags and where we have got to fill in the picture... that's the last piece of the picture coming into the jigsaw".

LATIN AMERICA • by Henry Tricks

Issuers forced to be creative

Bonds have flickered back to life but share prices are languishing

Latin American bond issuance, almost extinguished in late 1997 by the Asia crisis, has flickered back to life this year, but the region's equity markets remain stubbornly comatose. "The money is afraid," says Wilber Colmerauer, director of capital markets at BBV Latinvest in London.

With reason. All Latin American stock market indices, except Brazil, were either flat or down by mid-April this year, while their counterparts in US and Europe had surged.

Share prices of most initial public offerings out of Latin America last year are languishing below their issue price, and analysts say there is a mismatch between the price fund managers are demanding to buy into new issues and the discount companies are prepared to offer.

Consequently, new equity issues all but dried up. Capital Data of London, which tracks bond and equity issues, logged no Latin American international share issues in the first quarter of 1998, compared with \$80m raised in the same period last year.

Led by sovereign borrowers, Latin American access to the bond markets has picked up after being virtually shut off during the worst fall-out of the Asian crisis.

In the bond markets, Capital Data says fixed and floating-rate issues totalled \$14.3bn in the first three months of this year, compared to \$12.5bn in the first quarter of last year.

But investment bankers say Latin American corporate borrowers are still reluctant to bring bond issues to market, chiefly because investors are demanding higher spreads than those available before the Asia "contagion".

"The landscape is changing from 1996 and 1997," says Michael Corbat, head of emerging market debt origination at Salomon Smith Barney, the US investment bank. "The size and breadth of orders isn't what it used to be."

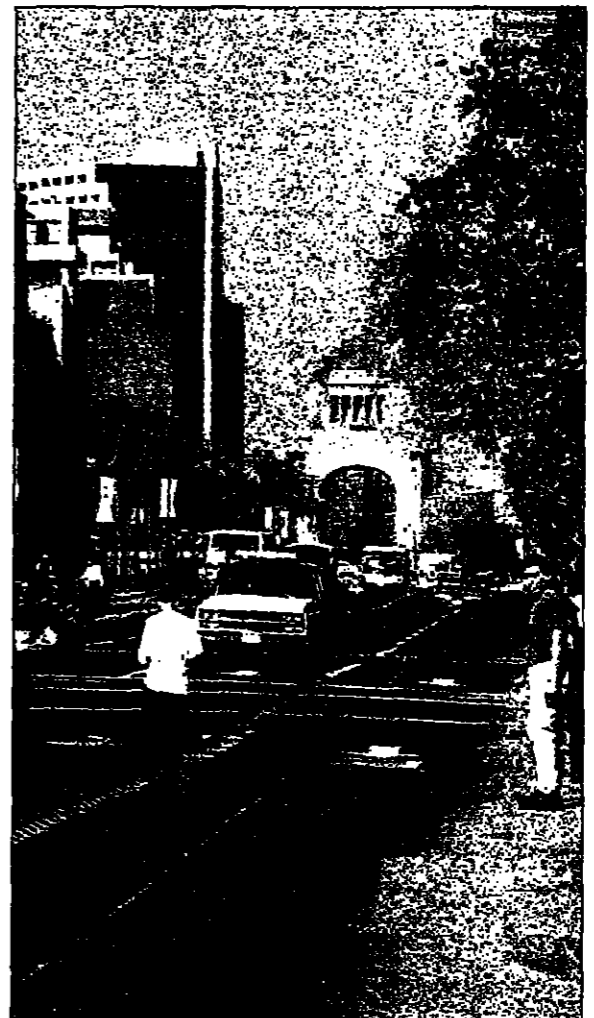
However, a "core constituency" made up mostly of funds dedicated to Latin American fixed income has underpinned demand, and Mr Corbat estimates bond issuance this year will be close to the \$63bn level achieved in 1997.

Sovereign borrowers, led by Argentina, Brazil and Mexico, have broken ground in the bond markets by launching \$1bn-plus global issues but they have been forced to be creative.

Brazil encouraged demand for its \$1.25bn 10-year global by raising spreads 25 basis points to 375 bps over US Treasuries at the last moment.

Argentina covered the bulk of its \$8bn borrowing needs for this year by tapping the markets early.

For investment banks anxious for a new crop of mandates, Mr Corbat says the clear trend in Latin America



Breaking new ground: Mexico City. Along with Argentina and Brazil, Mexico has launched \$1bn-plus global issues. Sarah Murray

is "one-stop shopping" offering bank loans and bridge financing to borrowers in exchange for the right to replace the financing when market conditions improve.

Spreads are still higher than their pre-Asia levels, however, and some specialists say the market continues to be overshadowed by fears of further Asian woes as well as the birth of the euro, which could initially crowd out the market for dollar borrowers.

"There's the feeling that the growth in exposure to dollar-based assets is going to go rather slower (because of the euro), which makes Latin American corporate issuers rather more cautious," says Chris Portman, assistant director of research at ANZ Investment Bank.

On the other hand, he notes that Latin American countries have few of the structural weaknesses that have plagued their south-east Asian counterparts, such as a mountain of corporate debt.

Also, when Latin America was initially side-swiped by the Asia fall-out, governments, particularly in Brazil and Argentina, swiftly put in place policies to protect their greatest vulnerability - the strength of their currencies.

At the right price, bankers say Latin American borrowers are still attractive investments, not least because international markets are still awash with liquidity, and low US Treasury bond yields are forcing some funds to stomach more risk to raise their returns.

Not necessarily so, however, in the equity markets. Except for dedicated Latin American funds, most equity investors are taking what BBV Latinvest's Mr Colmerauer calls the "easy, justifi-

able solution" and staying put in mature markets. "People are afraid of getting their fingers burned again," he says, noting that Mexico's 1994 peso crisis, as well as Brazil's near meltdown last October had been painful learning experiences.

Economic problems have also weighed on the markets. Low metals prices have affected Chile, a dip in oil revenues has forced Mexico and Venezuela to reduce their 1998 spending budgets, and Brazil and Argentina's currencies continue to be concerns. In Brazil, the Sao Paulo state government's failure to find a bidder in mid-April for power distributor Bandeirantes cast doubt on its \$450m privatisation programme.

Such factors, tacked on to the global aversion to emerging markets' assets as a whole, help explain why fund managers have beaten a hasty retreat from most of the region's equity markets.

According to Richard Blackett, head of international capital markets at Salomon Smith Barney, international funds by mid-April had ebbed out of Latin America almost every week for eight months.

Potential issuers are reluctant to tap the markets because investors are demanding bargain prices in return for the risk. New issuance out of Latin America, Salomon's says, is at its lowest level in six years.

Two cellular phone deals, in Colombia and Ecuador, have been pulled because of the lack of demand.

What prompts a rebound may depend simply on how ready companies are to issue shares at prices cheaper than they are used to. "Either money flows turn around or issuers bite the bullet," Mr Blackett says.

SOUTH AFRICAN BONDS • by Victor Mallet in Johannesburg

The market comes of age

Increased transparency and liquidity has helped attract global investors

South Africa's domestic bond market, with the help of active foreign investors and speculators, has grown rapidly in the past few years and appears to have come of age with the introduction of new primary dealerships system at the beginning of April.

The Department of Finance, anxious to improve transparency, increase liquidity and enhance the market's international attractions, has appointed 12 primary dealers in government bonds.

The 12 - six foreign banks and six local - are obliged to participate in weekly auctions of new stock and to maintain liquidity in the secondary market by quoting two-way prices.

Government officials announce funding plans in advance, and in the 1998/99 financial year have said they plan to issue about R31bn of domestic bonds of various maturities.

"They have done their damndest to be very transparent in all aspects," says Leon Myburgh, fixed-income dealer at Barclays Capital in Johannesburg, one of the primary dealers. "They want to make the market sophisticated."

Roelf du Plooy, head of the money and capital markets department of the South African Reserve Bank (the

central bank), agrees. "It's more modern and it's much more transparent," he says. "I also think that it's not the function of the central bank to be involved in the funding side of government."

The regular auctions replace the previous "tap" system in which the Reserve Bank was responsible for always quoting two-way prices in the secondary market and traded stock in opaque dealings which left buyers unclear as to whether they were buying new or previously issued bonds.

With the arrival of foreign banks in South Africa and the quick development of the bond market, the Reserve Bank's share of turnover had in any case declined steeply over the past few years from more than 35 per cent to around 1 or 2 per cent, Mr du Plooy says.

Other improvements to the market had already been introduced, including an internationally accepted three-day settlement system ("T+3") which came into operation in November last year.

The Reserve Bank, absolved of its responsibility to maintain liquidity in the secondary market, can now concentrate on its prime task of enforcing monetary policy without fear of distractions - although it maintains a constant presence in the market anyway to disguise any intervention.

Within about a month, the auction should be fully computerised using a Bloomberg system. At present, the marketmakers make bids by telephone and confirm them

by fax.

It then takes about 30 minutes for the Reserve Bank, which oversees the process, to announce the allocations. This process should be reduced to about 10 minutes once the Bloomberg system is installed.

Banks have welcomed the changes. "We tried for at least 10 years to get this thing going," says Mike Lamont, who used to work at the Reserve Bank and is now director, fixed income, at Standard Bank, another primary dealer.

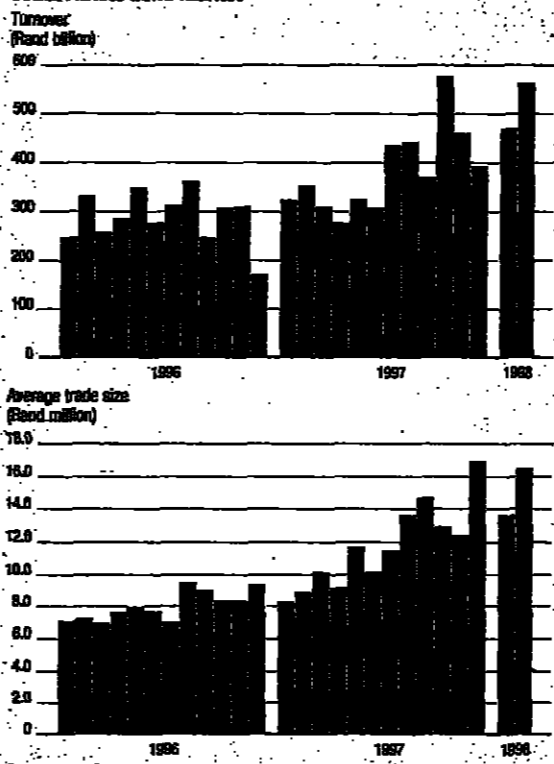
"I think it's working. If you look at other markets they have all gone that route. By forcing the guys to quote two-way prices you guarantee liquidity and it all happens fairly transparently."

The auction system may need to be fine-tuned, he says, but it is an improvement on the previous method of issuance. "The code and the rules have been based largely on the those of the UK and Canada," says Mr Lamont. "In the past it took months to find out what was done."

South Africa's bond market has benefited from a sharp rise in foreign interest since the 1994 election that ended white minority rule. Last year the total nominal value traded rose 36 per cent more than 1996 to R4,628bn, and in the first two months of 1998 the turnover was 56 per cent up on the same period in 1997, according to Barclays Capital.

Among the attractions of South Africa is the high real yield of about 7 per cent on

South Africa: bond market



typical bonds - that is, the yield minus inflation, which has recently fallen to just over 5 per cent. A risk for foreign bond and equity investors is the volatility of the rand.

But the country is also perceived to be politically stable by the standards of emerging markets, and the government continues to run a budget deficit that will require further borrowing. Marketmakers add that there is growing interest in South African debt derivatives as the market becomes more sophisticated.

In addition to the government's annual need for bond funding of about R30bn, state-controlled corporations such as Eskom, the electricity utility, and Telkom also issue about R10bn a year. The state also taps foreign

markets to the tune of perhaps R5bn a year. Bonds with a nominal value of some R370bn are currently in issue.

Even if South African bonds remain vulnerable to currency shocks and to the kind of downturn that struck last October in the midst of the Asian financial crisis, both the Reserve Bank and the marketmakers say the start of the new auction system suggests that South Africa is more than keeping up with its international rivals in the second tier of the world's bond markets.

"We are quite happy with the way the first auctions went," says the Reserve Bank's Mr du Plooy. Bids, he says, were aggressively priced, "so it looks very promising".

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RECRUITMENT



RICHARD DONKIN

Flexforce of the future

The UK employment and education system should adapt to changes in work patterns

It could have been a typical mothers' coffee morning on a typical and fairly new middle-class housing estate in Bedford in England. Except that Irene, Sam, Sue, Elva and Lindy were there to discuss work.

If they had been meeting in an office instead of a living room you would have called it a department. But their desks and terminals are scattered around bedrooms and box rooms. They don't have a manager but manage the work themselves depending on their availability and desire to do it.

If there is too much work, they find someone else to swell the team. There is someone who commissions the work. It comes in chunks - projects - some regular and some ad hoc. The most important point is that the work gets done.

Graeme Lewis, UK sales director at Adecco Alfred Marks, the recruitment agency, refers to the team as the Bedford "flexforce". They handle most of the sales data work for Adecco's 280 branches throughout the

UK. It could be said that Mr Lewis created the group but it would probably be more accurate to say that it evolved from a need.

He needed data on potential clients to feed through to branches and, rather than requesting a departmental budget, he tapped into the network of mothers whom his wife met on her school runs. Most of the team live on the same Bedford estate. Some were given training on the computer system. Some sought out their own hours with no obligation between either party. "With more and more similar projects starting up this seems to be the natural progression for the working approach of the future," says Mr Lewis.

But can there be any natural progression towards different kinds of working without a fundamental overhaul of the structures that underpin existing systems of employment? The flexforce is the kind of development that has convinced the Royal Society

for the Arts that changes in the nature of work are happening, but that change is being impeded by outmoded assumptions and what it claims is a "19th century" education system.

The RSA's report, published this week after its two-year Redefining Work project, not only challenges traditional assumptions but calls for a dismantling of an employment and education system which, it says, supports a conventional model of working life.

This is the "40/40 job", which assumes that people work 40 hours a week for 40 years. The model, which stems from the growth in the 1930s of public administration and mass production in factories, continues to determine how work is described.

"People who work less than 40 hours are 'part-timers' - something less than whole," says the report. "It remains the model of preference for mortgage providers looking for 'quality lending'. It is the basis of most pension schemes, public and private: a 'full pension' is what you earn through 40 years' work."

Some academics have argued that permanent jobs remain at the core of employment and that the rate of change has been exaggerated. Valerie Bayliss, the project director, rejects their conclusions. "What I have found, almost without exception, is that pieces of work saying things haven't changed are coming from academic labour economists who have looked at the same set of figures," she says.

Such analysis, she says, ignores the large rate of change at the margin suggested by the growth in short-term contracts and predominance of part-time employment among newly created jobs.

The report says UK schools are preparing children for a world that is fast disappearing

"When you look at these changes and recognise that people are entering the labour force later and leaving it earlier and you look also at the changes in social attitudes, it is hard to argue that things have not been changing significantly."

It may be, of course, that the way we work needs to change more quickly than we have been willing to accept in the past. How can we be willing to change when our mortgages have to

be maintained? How can we shorten our working lives when the size of our pensions can often depend on the size of our final salary and years of sustained contributions?

Ms Bayliss believes that financial institutions are beginning to address such problems. "When we started talking to companies in the financial sector at the beginning of the project they were still rooted in the idea that unemployment might be something that happened once in your life between jobs. I can see signs that the sector is now thinking much more deeply about this, aided by the new government which is also showing signs of understanding what is happening in the world of work."

But is structural change happening swiftly enough? One area of the report likely to provoke some controversy is a section that calls for a "radical reappraisal" of the education system. The report suggests the creation of a learning institute to inform the education system of the skills and behaviours expected in employment and to devise ways of developing such skills in schools. At present, it says, schools are preparing children for a world that is fast disappearing. School premises could meet demands for lifelong learning, says the RSA, by changing into "community learning centres" to better exploit their assets.

In addition to the fundamentals of literacy and numeracy, the report calls for greater tuition of "life skills" and financial literacy. That said, the curriculum would probably not have the capacity to include a course on filling in tax forms.

It also suggests there will be new employment market opportunities for "career management services" or super agencies to handle the progression of people from one project to the next, not simply handling the placement but also looking after pension provision, social insurance and possibly mortgage finance.

There may be those who continue to argue that the way we work is changing less fundamentally than the RSA would suggest, but the thrust of the report is that work systems need to change and systems that support working lives must change with them to allow people to recover balance in their lives. The report set out to devise a policy agenda - a framework for comprehensive change. In that it has succeeded. The question now is whether the debate can be carried further in recognition that groups such as the Bedford flexforce will soon be as common to working life as the factory at the end of the street once was.

"The RSA Redefining Work Report, £25, from Lesley James tel 44 171 930 5115"

richard.donkin@FT.com

WORKING BRIEFS

Feng Shui, fountains and the art of a tidy office

Does it matter where you stick the office pot plant? Very much so, if you believe Office Angels, the UK recruitment consultant that is planning seminars on Feng Shui for human resources professionals.

Feng Shui, the ancient Chinese art of determining the best design or layout to ensure harmony, is creeping into the office, where followers believe it can improve workers' health.

The idea seems to be that you put most things in the bin. Feng Shui people have clean desks, store little away and sit with their backs to the walls so they can see the door. They also like fountains in the office, have red and yellow flowers on their desks and prefer pictures of work-related goals to those of their children.

Sarah El-Douri 44 181 741 4000

In demand

More than half the demand for senior executives across Europe in 1997 was to fill new positions, according to the Association of Executive Search Consultants, Europe.

The UK had the greatest number of searches - 18 per cent of the total, compared with 15 per cent in Germany, 14 per cent in France, 15 per cent in southern Europe and 12 per cent in eastern Europe. Searches for board directors increased by 142 per cent. The most sought-after people were in marketing, sales and public relations, which comprised 40 per cent, with financial services comprising 25 per cent.

Figures from the US found that the number of searches there had increased by 18 per cent year on year.

Sabine Hensler 32 27 749612

Employee shares

UK companies with large employee shareholdings outperformed the FTSE All-Share Index by 5 per cent in the first quarter of 1998, according to the Capital Strategies' UK Employee Ownership Index. This tracks the share performance of 36 publicly quoted companies where employees own at least 10 per cent of the share capital. The US index, maintained by American Capital Strategies, also continued to outperform. Capital Strategies says nearly half the UK companies floated in 1997 had an employee share scheme.

Sarah Anderson 44 171 256 8000

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Candidates

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- ◆ Strong working knowledge of structured solutions.
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Candidates will be high calibre operations

professionals with strong leadership and communication skills and an ability to interface with wide ranging contacts within finance, operations and front office departments.

Prerequisite attributes and experience will be:

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Interested applicants should contact Toby Ramsdale on 0171 269 1908 or Fax 0171 329 2974. Alternatively, send a full CV to him at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Please quote ref 418202. e-mail: tobyramsdale@michaelpage.com

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Candidates

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FINANCE



THE MINARET GROUP

The Minaret Group was founded in July 1997. Since then it has attracted over 120 top professionals from international financial institutions around the world and opened five offices in Central Asia. From its headquarters in Azerbaijan, Minaret is consolidating its position as a unique pan-regional investment bank combining western expertise with local know-how. Due to increased demand from investors into this dynamic and exciting region, the bank is looking to add staff throughout its network of offices.

Director of Research – Baku, Azerbaijan

The Director of Research will be a senior manager within the Group with responsibility for building and managing the research team, which will provide pioneering research from this rapidly emerging market. S/he will have an innovative approach to developing research products and the ability to play a key role in bringing equity and fixed income opportunities to clients. The ideal candidate will see this as a natural progression to their previous experience in emerging markets research. In addition to relevant experience they will have the ability to build, manage, and motivate a team and excellent communication, interpersonal and marketing skills.

Managing Director – Ashgabat, Turkmenistan

The Turkmenistan office of the Group is ideally positioned to become a major player in capital raising for the gas and energy sector. The Managing Director will develop this business and manage the local team. S/he will have gained experience in a corporate finance environment within a bank or a financial institution with previous exposure to the CIS, preferably Central Asia. The ideal person will have an entrepreneurial approach to building and developing a business and the ability to operate in this new market. An attractive expatriate package will be offered to the right candidate.

Corporate Lawyer – Baku, Azerbaijan

The Corporate Lawyer will be a key player in the Group with responsibility for assisting the Group's offices with their legal requirements as well as transaction-related work. The Corporate Lawyer will work with corporate law, project and corporate finance mandates and co-ordinate all securities related legal work. Ideally, the Lawyer will have experience in banking sector work in the CIS and the ability to work under pressure on a wide variety of mandates.

Back Office Manager – Baku, Azerbaijan

The Back Office Manager will be a self-starter responsible for setting up the Operations Department which will support the trading function. S/he will build and manage a team of both expatriate and local staff. This exciting opportunity will allow the Back Office Manager to grow and develop alongside a fledgling securities industry. Ideally, s/he will be able to design and implement systems strategy, understand the regulatory environment and possess a good understanding of the settlement risk in these markets. The successful candidate will be expected to work with equities, fixed income and foreign exchange.

The group is also interested in hearing from potential candidates from other sectors within the financial community as it is rapidly expanding in all areas. The group offers highly competitive packages for those with a proven commitment to the region. Please contact our Consultant, Ms Tanu Oksman-Ison for a confidential discussion. Email: tanu@principal-search.co.uk

Principal Search
Emerging Europe Limited

75 Cannon Street
London EC4N 5BN
Tel: 0171 556 7040
Fax: 0171 556 7569

Stockton Re RISK ANALYST

CITY

Stockton Representatives Ltd is part of Stockton Reinsurance Limited, a Bermuda based insurer. The company has built a reputation as being one of the pre-eminent insurers and reinsurers of specialty risks including traditional and finite products. The success of the firm has been down to fundamental principles of reviewing submissions extensively and subjecting them to rigorous actuarial analysis.

The development within the London office has now reached a critical stage, prompting the need to make a key appointment, of a Financial Risk Analyst. The role will involve all aspects of risk analysis on new business submissions and

requires an individual who is highly adept and experienced in assimilating information. The appointee would also be involved in assisting in the marketing and development of business. Working closely with the Senior Management, you will be responsible for developing the London office's presence and will liaise closely with Head Office in Bermuda.

Candidates will have a first class academic background, ideally with a mathematical or statistical degree or Actuarial training and will be seeking the ability to develop at a fast pace in a growing specialist environment and will have at least five years' experience in this sphere.

This is an outstanding opportunity and will be suited to high calibre individuals who are able to demonstrate the capacity to present information clearly and concisely.

Interested candidates should forward their Curriculum Vitae together with salary details to David Chancellor at Robert Walters Associates, 10 Bedford Street, London WC2E 9BE. Tel: 0171 379 3333 Fax: 0171 915 8714.

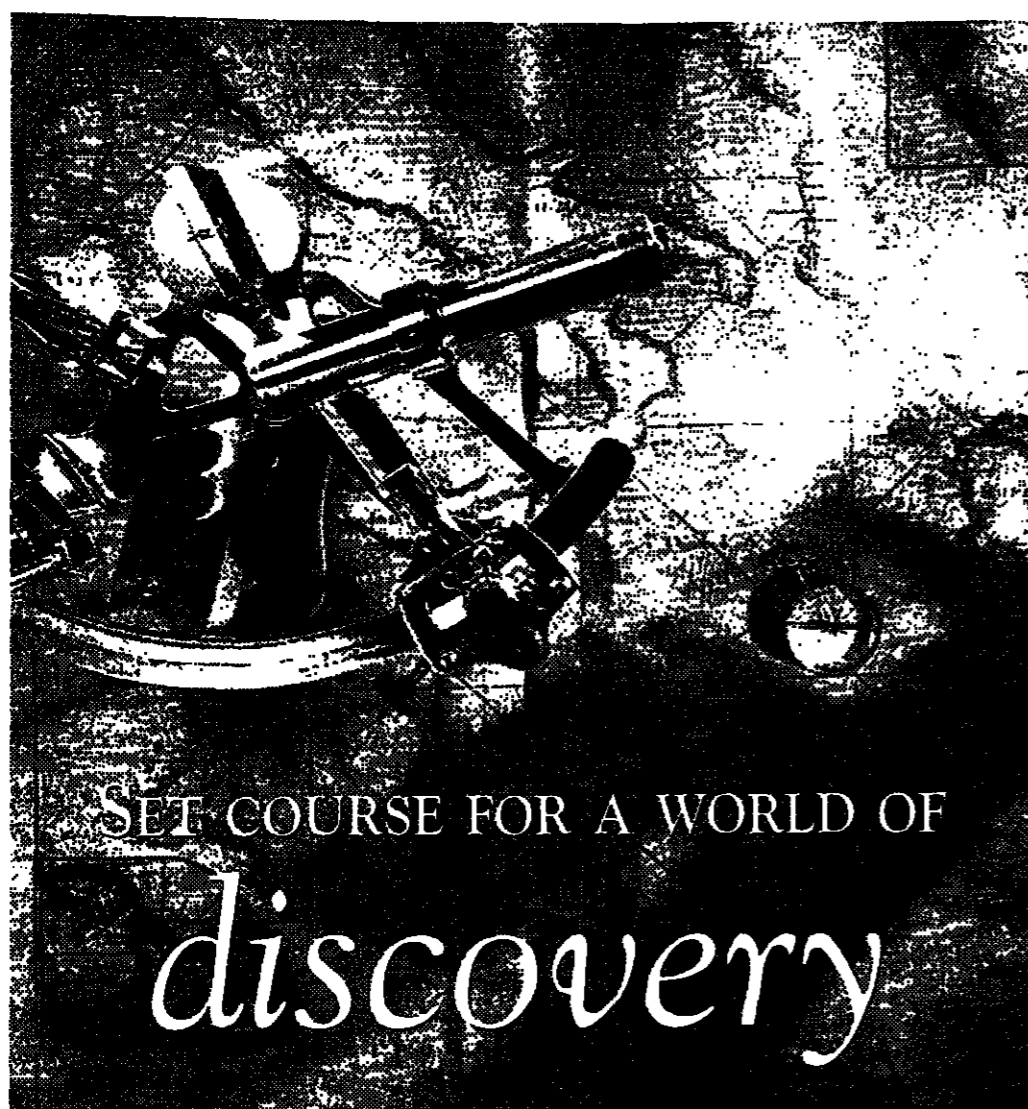
Email: david.chancellor@robertwalters.com
Web: <http://www.robertwalters.com>

You may also apply via http://taps.com/Robert_Walters quoting reference RW75.

ROBERT WALTERS ASSOCIATES



LONDON - WINDSOR - AMSTERDAM - BRUSSELS - FRANKFURT - NEW YORK - HONG KONG - SYDNEY - MELBOURNE - BRISBANE - WELLINGTON - AUCKLAND - JOHANNESBURG



GRADUATE OPPORTUNITIES

LONDON AND OVERSEAS £25K + BENEFITS

Your choice of graduate training programme will depend on many factors. You will be looking for a direction which holds real promise for the future, in terms of the company's international standing, the rewarding careers it can offer, and its track record of developing individuals. And one thing is certain: the right decision now will open up the world.

Baring Asset Management, part of the highly successful ING Group, is a global fund management organisation providing outstanding service to clients. Our client portfolio includes governments, pension funds, major corporations, charities and private individuals. Our network spans the globe, from San Francisco to Sydney, Toronto to Tokyo. Our legacy of expertise, dedication and close teamwork enables us to manage effectively, efficiently and profitably US\$40 billion of assets worldwide.

On entering into this high-profile, international business arena, you will join our impressive modular graduate training programme in mid-September 1998. You will have chosen from a number of generalist or specialist alternatives leading to fast track careers and exciting management roles in investment, IT or financial services. Your training will be supported by an individual mentor, and will see you taking early, hands-on responsibility at offices both at home and abroad. You will also be encouraged to gain professional qualifications.

Whichever the route you choose, however, the starting point will be your obvious tenacity and determination to succeed. The minimum qualifications for interview are 24 UCAS points and a First or Upper Second in Accounting, Business Studies, Computer Science, Economics or closely related disciplines. Languages would be a further advantage.

Discover that there is more to your future by contacting the Recruitment Services for a Graduate Brochure and application form (quoting ref 106FT1) by 26 June on 0990 199524 or fax 0171 608 7788. Alternatively, send a postcard to Baring Asset Management, ATS, PO Box 788, London EC1M 4LA, or e-mail Baring@advancedtele.com giving your full name and address. Application forms to be returned by 10 July 1998.



Baring Asset Management
Member of ING Group

BEAR STEARNS

Outstanding opportunities for ambitious individuals in European investment banking

City

Bear Stearns is one of the longest established and most prestigious investment banks on Wall Street. Its Investment Banking Division is involved in all facets of debt and equity financing and underwriting, and mergers and acquisitions. The bank is now expanding its European investment banking business through its highly successful and focused industrial specialisations, including telecommunications, media and pharmaceuticals. Exciting opportunities exist within the industry sector and product teams for talented individuals at Vice President and Associate level.

Vice Presidents

The Vice Presidents now sought will assist in originating, managing and driving the execution of a broad range of transactions on a pan-European basis, covering strategic advisory, M&A, high yield finance and equity financing. Providing industry and product expertise, they will identify and win new business, ensure the delivery of an outstanding quality of service and supervise more junior professionals within the team.

Candidates are likely to be aged in their thirties and will be graduates, ideally with an MBA or financial qualification. They will have gained significant experience in transaction based corporate finance, advisory work or consultancy in a first class financial institution. Previous international experience and fluency in European languages is desirable. Personal attributes will include highly developed communication skills, exceptional managerial ability, sound commercial awareness, and strong ethical standards.

Ref: 980411L

All of these roles represent an exceptional opportunity to build Bear Stearns' European business from ground floor level. The remuneration package is structured to attract the most qualified individuals and includes a full range of executive benefits. Based in London, candidates for all roles will be required to travel on a global basis.



OLD LONDON HOUSE, 32 ST JAMES'S SQUARE, LONDON SW1Y 4JR. TEL: 0171 930 5100. FAX: 0171 839 1229.
A GKRS Group Company

Associates

Several Associates are sought to contribute to the growth of this business. Working in teams including industry and product specialists, the Associates will develop complex solutions to service client needs across Europe. As part of a close-knit team, they will provide control and execution support in managing transactions, gaining significant client exposure. They will also play a key role in developing new marketing initiatives.

Aged mid twenties to early thirties, candidates will be graduates, possibly also with an MBA or financial qualification. They are likely to have between two and five years' relevant experience in investment banking or consultancy, with first rate analytical, modelling and communication skills. Fluency in further European languages would be a considerable advantage. Candidates must have the ambition and drive to succeed in a highly demanding, performance driven, team oriented environment.

Ref: 980412L

Please send a full CV in confidence to GKRS at the address below, quoting the relevant reference number on both letter and envelope, and including details of current remuneration.

Leading Global Emerging Markets Firm

Head of Compliance

City

£Excellent

A fast paced Emerging Markets investment group, which has built a wide ranging investment banking franchise providing corporate finance, securities trading, asset management and research services to an international client base is looking for a Head of Compliance. Established in 1995, the firm has locations in London, New York, Hong Kong, South America, Emerging Europe and the Far East. This crucial role is pivotal in facilitating as well as controlling business activity, and enjoys a very high profile within the group.

The Head of Compliance will be responsible for assisting in the co-ordination of group wide compliance strategy and procedures for equity securities and investment banking, and for managing relationships with the SFA and LSE. As a member of all key operational committees, the incumbent will be expected to make a significant contribution to business decision making.

The successful candidate is likely to be a graduate with a proven track record in a leading financial institution. The culture of the firm is one which demands self-starting individuals who are willing to take responsibility and who can combine strong technical skills with commercial awareness and first rate communication and influencing skills.

Please write to our advising consultant Joe Thomas at BBM with both a covering letter and full CV quoting reference 485 at BBM Selection, 76 Watling Street, London EC4M 9BJ or via email at ref485@bbm.co.uk. All applicants will be treated in the strictest confidence.

76 Watling Street
London
EC4M 9BJ



Tel: 0171-248 3653
Fax: 0171-248 2814
E-mail: 485@bbm.co.uk

PRIVATE EQUITY FUND-RAISING EXECUTIVES

London/Zurich/Geneva

Leading global investment bank - a major player in private equity investing, financing and fund-raising - is seeking to hire three Sales Executives for its fund raising group to place private equity securities, mainly leveraged buyout limited partnership interests, with institutional investors in:

- United Kingdom (London based)
- Middle East (Geneva or London based)
- Germany, Austria & German speaking Switzerland (Zurich or Geneva based)

Successful candidates will have five years of practical sales experience placing sophisticated alternative investment instruments with institutions in the relevant geographical market, and will have a solid academic and professional foundation in corporate finance.

Candidates must be able to demonstrate success at managing multiple placing mandates and they will be competitive but also enjoy working in a dynamic team. They will thrive on the excitement and pressure of the road show and will know how to close. Relevant language skills plus working documents for home base are essential.

Compensation package is competitive and bonus driven. Please send details, quoting reference SK1145, to: Francesca McDermott, Response Management Unit, Kingsbourne Advertising, Salisbury House, Bluecoats, Hertford SG14 1PU, UK. As all CVs will be forwarded directly to our client, please list any companies you do not wish to apply to.



RECRUITMENT CONSULTANTS GROUP

2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
Fax: 0171-256 8501 E-mail: cjagroup@online.rednet.co.uk

Intellectually challenging opportunities at the leading edge of research where your input will have a direct impact on fund performance

EMERGING MARKETS MODELLING - FIXED INCOME AND CURRENCY

LONDON

£60,000 - £90,000 + BONUS

FAST GROWING EMERGING MARKETS BUSINESS OF A HIGH PROFILE US INVESTMENT FIRM
We invite applications from candidates who must have a post graduate qualification and have had at least 4 years' experience of applied econometric modelling, preferably gained within the financial sector, but candidates from international financial institutions, economic research organisations or academic institutions will also be considered. As the selected applicant, you will work under the supervision of our Chief Emerging Markets Economist and help develop quantitative models for fixed income and currency markets of the key emerging market countries. Essential qualities are flexibility, to have a 'roll-up sleeves' attitude to work and, above all, to be an effective team player. For an individual with directly relevant experience, a higher salary can be negotiated.

US based candidates will be able to work out of our office in the New York area.

Applications, in strict confidence, reference EMM/7273/FT should be sent or faxed to the above address, will be forwarded to our client in the first instance. If there are companies to whom you do not wish your application to be sent, these should be listed in a covering letter addressed to the Security Manager, CJA.

PERRIER VITTEL S.A.

Group 1982/96

World leader in bottled water, PERRIER VITTEL is present in 140 countries with 25 subsidiaries and more than 60 brands. In order to reinforce its audit team, the company recruits a:

Senior Internal Auditor

Paris

THE POSITION: Reporting to the Group Internal Audit Director, you supervise a team of 2 to 3 auditors. You are setting up and are in charge of audit work in all subsidiaries worldwide. As an internal consultant, you analyse processes, operations and provide recommendations to the local management and finalise audit reports.

THE CANDIDATE: With two or three years experience as an external auditor, you are looking for a challenging opportunity in industry with a fast evolution in the group. The company is looking for highly motivated candidates with a good financial background. Excellent communication skills help you to operate with numerous interlocutors in a multi-cultural environment. The candidate appreciates travelling in many different countries and can speak two languages fluently.

Please write to Mathieu BEAUBAIN, quoting reference 423000, at ROBERT HALF FRANCE, FINANCE DIVISION, 39 avenue Pierre 1er de Serbie, 75008 Paris or by fax at 33(1) 47 23 35 00 or by e-mail (Format MME or MME) recrute@rhfrance.fr. Please consult our web site: <http://www.roberthalf.com>.

ROBERT HALF FRANCE
DIVISION FINANCE

LEADER MONDIAL DU RECRUTEMENT SPECIALISE
AVEC PLUS DE 200 BUREAUX SUR 3 CONTINENTS

Senior Sales Finance Specialist

TOULOUSE, FRANCE

This

European
aeronautical
Company,
among the
leaders on
its market,
is looking for

■ In support of the worldwide sales effort of the Company, the sales financier shall be able to formulate, negotiate and close appropriate financing structures, assessing related risks, with airlines and financing institutions.

■ Aged between 30-38, you have gained the necessary experience in structured finance transactions with a manufacturer and/or financial institutions and the ability to operate in a multi-national environment. Motivation and team work will be essential qualities. You will also have a Customer oriented approach. You are bilingual in French/English; knowledge of Spanish would be a plus.

■ Worthy candidates will be motivated by the prospects of joining a major company in a growing market and by an attractive remuneration. Please send your job application with a photograph mentioning your current remuneration, with ref. FTS/554 A to PERIERE CONSEIL - 1, rue Jacques-Jean Esquie - 31100 Toulouse France. E-mail: toulouse@periereconseil.fr

PERIERE CONSEIL
RESSOURCES HUMAINES

A Prestigious Italian Financial Institution

Is seeking to recruit four highly motivated and experienced professionals for the following positions at its Milan Head Office in the area of its Credit Division engaged in:

• ASSISTANT TO HEAD OF PROJECT AND LEVERAGED FINANCE (REF. A)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured project and leveraged financings. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective transactions. His/her duties will include appraising the long-term feasibility of financing propositions involving drafting business plans and sensitivity analyses. He/she will also play an active role in growing the business by attracting new mandates from appropriate counterparties.

Candidates should be nationals of an EU member state and will ideally have gained three to five years' experience in the relevant areas with a leading financial institution, preferably with an international outlook. Fluent Italian and English are requisites, and proven ability in one or more other European languages will be an asset. Remuneration will reflect qualifications and experience and there are attractive prospects for career advancement within a young and dynamic team.

If you believe you meet the requirements for any of these positions, please send us a CV with your telephone number in strict confidence, quoting Reference A, B or C 9825. Your application will be forwarded to our client unless you list companies to which it should not be sent.

STRUCTURED LOANS

• ASSISTANT TO HEAD OF EXPORT FINANCE, DEBT SECURITIZATION AND SYNDICATED LOANS (REF. B)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured export financings, debt securitizations and syndicated loans. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective transactions. His/her role will include appraising the risk profile of syndicated loans, in consultation with the Head of the Section and analysts. He/she will also play an active role in growing the business by attracting new mandates from appropriate counterparties.

• TWO CREDIT RISK ANALYSTS (REF. C)

The successful candidates for these positions will work in a team with the two Heads of Section and their Assistants in developing detailed risk profiles covering:

- a) project and leveraged financings, including drafting of business plans and sensitivity analyses;
- b) export financings, debt securitizations and syndicated loans with special emphasis on country risk where required.

MONITOR RESEARCH

Consulenti di direzione - via Manzoni, 42 - 20121 Milano - Fax 39.2.783916

Account Executives

We are looking to expand our sales business in both London and Glasgow and are keen to talk to experienced individuals and/or teams, who can sell a comprehensive range of insurance products.

We are particularly interested in individuals who will help us build on our 200 year pedigree in many of the world's emerging markets.

To find out more, please contact your nearest Ashley Office, Recruitment Manager, E D & F Man Group plc, Sugar House, Lower Thames Street, London EC3R 6DU.

E D & F MAN GROUP plc

COUNTRY HEAD AND BRANCH MANAGER

A Middle East Banking Group based in Egypt urgently require an experienced and professional Banker to manage its London Branch.

The successful Applicant will have substantial experience in International Banking with particular emphasis on credit and trade finance and should be fluent in both English and Arabic. A working knowledge of a second European language will be a distinct advantage.

The Bank offers a highly competitive remuneration package commensurate with the position and level of the position.

Applications should be made in writing with full Curriculum Vitae and current salary details to the undersigned.

Box 4635, Financial Times, One Southwark Bridge, London SE1 9EL.

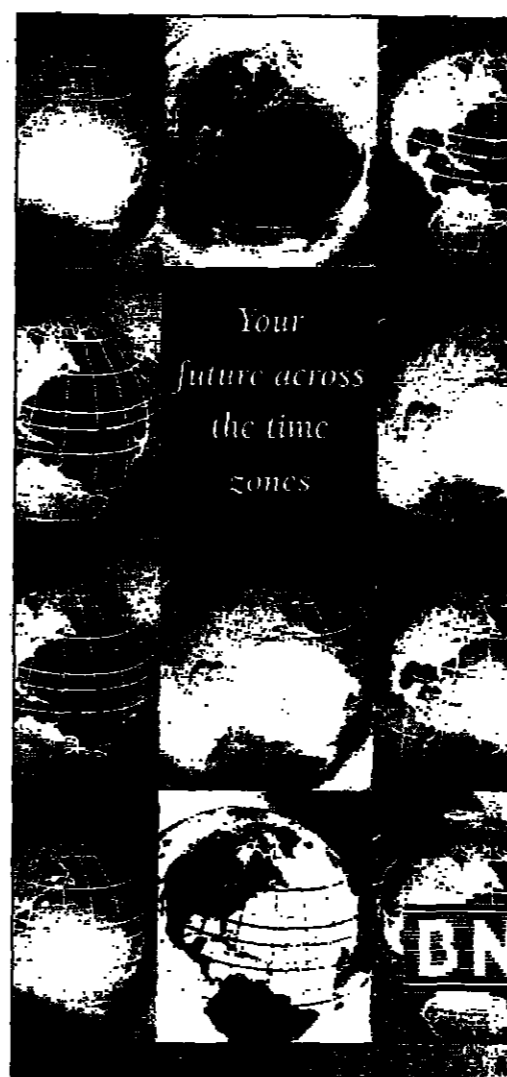
Operations Manager, IFC MOSCOW

Management of technical assistance projects five NIS countries (500 staff/200m). Resp: 15 yrs prof. exp, 5-10 managing private sector development initiatives emerging mids, adv degree and Russian lang. Fax CV/cover to E. Hulton (7-085-013-7053) or (022) 974-4321.

Vice President
Mature (47), Emerging, Mena, Francophone experience
seeking new challenge.
Career background: Financial Services, London, Paris, Singapore. Educated: Durham and INSEAD. Contact via

APPOINTMENT S WANTED

Qualified Investment Professional, Chartered Accountant & former British Consul General to work within an Investment Bank, Fund Management Co. or with a group of International Investment Professionals. Currently a Director of a Hedge Fund Manager. Tel: +44 (0) 1753 523 523 Email: Fenton@bt.com Write to Box 4635, Financial Times, One Southwark Bridge, London SE1 9EL.



BNP Training program for young graduates of major international universities

Young graduates of leading universities and other tertiary institutions of international renown, BNP is offering you a unique opportunity to become a professional in the finance sector and embark upon an international career.

BNP is active around the world. It has the fifth-largest international banking network with branches in more than 80 countries.

You are talented, and you speak fluent English and French. You equate the financial sector to corporate finance or trading with innovation, creativity, action and mobility. You are motivated by the challenges facing the banking sector. Then come and join us.

BNP has set up a specific six-month training program that will give you an overall view of our bank. You will learn about its strategy and its business lines while being trained for your future position as a trader, salesperson, or financial analyst (structured finance, corporate banking, etc.).

After an initial two-year posting in Paris, you will be given new responsibilities in our international network. Our training program begins on 9 October.

Please forward your application letter and CV as soon as possible, quoting reference JDI, to BNP DRH RECRUTEMENT, 80 rue Taitbout, 75412 Paris Cedex 09, France. You can also send your CV via the Internet at www.bnpp.fr under "recruitment".

• IS AN INTERNATIONAL BANK WITH OPERATIONS IN ALL AREAS OF BANKING AND FINANCE.
• EMPLOYS 52,000 PEOPLE WORLDWIDE.
• HAS BRANCHES IN MORE THAN 80 COUNTRIES.

BANKAMERICA CASH MANAGEMENT SERVICES

Building The Winning Team

At Bank of America we have already established ourselves as one of the leading cash management organisations globally, with a reputation for innovative products, outstanding client focus and quality delivery.

Within our Europe, Middle East & Africa business a recent – and fundamental – independent review of our operations has reconfirmed our view that our Cash Management Services business is of critical strategic value to our clients, and that Bank of America is uniquely well positioned to respond to the challenges of the euro. As a result, we are increasing yet again our investment in our people and in our infrastructure.

Bank of America offers a dynamic, challenging, team-oriented and client focussed culture, coupled with highly competitive salaries and banking benefits and in return we demand commitment, energy and focus.

We are currently looking for the following individuals:

Sales Officer – Global Financial Institutions
(London)

Sales Officer – US Multinational Corporates
(London)

Sales Officer – US Multinational Corporates
(Frankfurt)

Marketing & Communications Officer
– EMEA Cash Management
(London)

If you are interested in joining one of the most dynamic and fast-growing cash management teams around, send a fully detailed CV and covering letter to: Pat Bannon, Human Resource Manager, Bank of America, 26 Elmfield Road, Bromley, Kent BR1 1WA. Bank of America is an equal opportunities employer.



Bank of America

The Organisation for Economic Co-operation and Development, Paris is seeking a

FINANCIAL PLANNING AND ANALYSIS MANAGER FOR ITS BUDGET AND FINANCE SERVICE

The OECD is currently undergoing a major process of reform and the Budget and Finance Service is called upon to play a key role in the change process by introducing the most modern budget and financial management techniques.

THE POST
You will co-ordinate the preparation of the budget, oversee its implementation and help develop analytical and strategic planning capabilities.

THE PERSON
You will be required to have the capacity of creatively adapting traditional centralised budget management to a new approach ensuring that the budget is a strategic management instrument of the Programme of Work and supporting change with information technology. You will be expected to play a leading role in the financial management and budget reform process including developing accountability frameworks to support decentralisation of authority. You will be required to develop strategic and operational plans, measure performance and introduce new costing and analysis procedures.

QUALIFICATIONS
Higher level university degree in management and at least 10 years professional experience in the administrative and financial department of a large international group. Experience in management control and auditing in a highly computerised working environment. Excellent interpersonal skills and the ability to manage a multicultural team. A knowledge of French is essential.

THE PACKAGE
We offer a very attractive remuneration package: a tax free salary in the range of FF29,140 to FF56,780 per year with additional benefits depending on residence and family status.

Application should be sent by email to: Isabel.Wartelle@oecd.org

OR
send us CV with ref. A5/BF to: Senior Executive Management
Human Resource Management - OECD
2, rue André Pascal, 75775 Paris Cedex 15

For more information about the OECD consult our web site at <http://www.oecd.org>

THE OECD IS AN EQUAL OPPORTUNITY EMPLOYER AND ENCOURAGES APPLICATIONS FROM WOMEN CANDIDATES.
APPLICATIONS WILL BE TREATED IN STRICTEST CONFIDENCE AND SHOULD REACH OECD BY 20TH APRIL.
ONLY SHORT-LISTED CANDIDATES WILL RECEIVE A RESPONSE.

ACCOUNTANCY APPOINTMENTS

To £75,000 plus benefits

Global Industrial Holding Company

Monaco

Senior Analyst

Newly created role at the heart of a profitable \$2 billion+ group to provide critical decision support to the Controller and Executive VP. Significant scope to progress in the medium term.

THE ROLE

- Supporting the senior group management in the execution of a challenging strategy by providing first-class financial analysis and interpretation of internal and external benchmarks.
- Delivering trend and sensitivity analysis on the major business drivers in all the industrial business segments.
- Contributing to acquisition evaluation, divestment reviews and treasury operations.

THE QUALIFICATIONS

- Graduate Accountant, aged c. 30+ with at least five years' financial analysis and control experience gained from a complex global manufacturing group or the investment banking sector.
- Practical experience of acquisitions/divestment due diligence procedures. Excellent hands-on IT pedigree with sound financial modelling skills.
- First-class interpersonal and project management skills. Comfortable and effective in a multicultural environment and capable of progressing further in the medium term.

Leeds 0113 230 7774
London 0171 236 3333
Manchester 0161 498 1700

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Selector Europe, Ref. TBA/2002-70/46,
16 Cornsant Place,
London W2 2BD

- Make a special Move -

FINANCE DIRECTOR

LONDON £55,000 + Equity Participation + Bonus + Benefits

Moves is a well-established provider of fast-response, quality logistics services in the UK and has recently been acquired by an MBI/MBO team supported by a leading venture capitalist. The new team plans to increase turnover of this profitable and growing business to in excess of £15 million over the next 5 years, primarily via organic growth. There is a vacancy for a technically competent and flexible individual who will take responsibility for the financial management function and a staff of 10.

Reporting to the Managing Director, this person will be an essential part of the team and will add real value to the financial management of the business.

Main responsibilities will include:

- financial and management reporting
- financial planning and forecasting
- development and maintenance of the banking relationship
- cash management
- managing and development of the IT function.

The successful candidate will be a qualified accountant, probably aged mid 30's or above, have a record of achievement and preferably have had experience in the service sector. He/she will also be hands-on, commercially aware and will have a thorough knowledge of spreadsheets and computer systems.

For the right person this is an exciting opportunity to become part of a committed and energetic team, coupled with benefits linked to the anticipated growth of the business. If you think you can meet the challenge and bring out the entrepreneurial spirit in you that is currently being held back in a conventional corporate environment, please apply, enclosing full CV and remuneration details to Kathleen O'Mahony at:

Moves Holdings Limited
131 Sainsbury Road
London NW6 6RG
0171 625 8565 or e-mail: Kathleen@Moves.co.uk

MOVES

Appointments Advertising

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and in the International edition every Friday.
For further information please call: Karl Loynton on +44 0171 873 3694

Strategic Finance Project Manager

Central London

£50,000 + Car + Bonus + Benefits

CAFÉ ROUGE
RESTAURANT BAR CAFE



Whitbread plc is a leading UK leisure company. Whitbread has moved from its origins in brewing to owning and operating some of the country's most popular pubs, restaurants, hotels and leisure clubs, as well as selling some of the most famous beer brands. Running through all of Whitbread's businesses is a commitment to providing the highest quality service to customers.

This has enabled Whitbread to achieve market leading positions in the UK as:

- ◆ The largest restaurant operator.
- ◆ The pub food market leader.
- ◆ The number one operator of private health and fitness clubs.
- ◆ The leading budget hotel chain.
- ◆ The number one golf operator.
- ◆ The market leader in premium lager.

Based at the corporate office in the City, this role is high profile and commercial. It offers extensive exposure to senior management across all areas of the business.

WHITBREAD



You will:

- ◆ Support both the divisions and strategic planning through financial analysis and assessment of major projects covering future investment, acquisitions and new business development.
- ◆ Provide independent advice to help understand the performance of the operating divisions and to make most effective use of resources.
- ◆ Assess divisional performance, plans and budgets against both external competitors and internal benchmarks.

The ideal candidate will be an ambitious, qualified accountant or MBA, with at least five years operational, commercial experience. Whitbread's focus on brands and service means that FMCG and retail experience is desirable. You should be able to demonstrate considerable analytical skills and the ability to constructively challenge and influence decision making. A self starter with demonstrable ability to quickly build strong relationships and manage complex assignments is essential. Whitbread has an enviable reputation for investing in its management and offers a variety of career progression and development to high calibre individuals. They are seeking individuals capable of becoming Divisional Financial Directors while in their 30's.

Interested applicants should apply in writing, enclosing a curriculum vitae to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2259, fax 0171 831 2612 or e-mail: guystacey@michaelpage.com. Please quote reference 326908.

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

BG plc

Reading

International Tax Manager

£ Excellent

BG Plc are market leaders in the development of the entire gas chain. The company operates this chain across the globe from exploration and production through transportation and distribution, to power generation and market development. It is at the forefront of gas engineering and related technical innovation and operates on all continents.

Due to reorganisation, an exceptional role has arisen within the tax department based in Reading. Reporting to the Head of Taxation, the successful individual will have responsibility for designated geographical regions. The role will encompass:

- ◆ Advising on corporate structures for overseas operations.
- ◆ Full involvement in project appraisals.
- ◆ Participation in acquisitions and disposals.
- ◆ Advising on a whole range of international tax issues.

The ideal candidate will be a corporate tax expert with at least three years international corporate tax project experience. Of equal, if not more importance is the ability to communicate effectively with the businesses and adopt a commercial approach to finding solutions to complex problems.

In return, the company offers excellent career development prospects in both UK and international tax.

This position offers a competitive remuneration package that includes a base salary, a car, profit share and a generous share option scheme.

Please contact Donald McFarlane CA on 0171 269 2246 or send your CV to Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN. Alternatively, fax on 0171 831 6662 or e-mail: donaldmcfarlane@michaelpage.com

Any applications made directly to BG Plc will be forwarded to Michael Page Taxation.

Michael Page

TAXATION

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA



West London

Manager Group Reporting

to £45,000 + Car + Benefits

GE Capital, recognised as one of the leading financial services organisations in the world, is part of the General Electric Company which generates revenues of \$90.8 billion and employs some 270,000 people around the globe. Its core businesses in Europe range from insurance to consumer and commercial finance. In the past two years it has acquired, on average, one European company every fortnight with further expansion anticipated in 1998.

Consolidated Financial Insurance, part of GE Capital, is the market leader in Payment Protection Insurance which is provided through leading financial institutions and Finance Houses.

An opportunity has arisen at CF for an ambitious, high calibre finance professional to play a pivotal role in the finance team. Reporting to the Group Financial Controller you will have responsibility for the pro-active management of the financial reporting process. Specific responsibilities will include:

- ◆ Control of all US GAAP reporting and UK consolidated accounts.
- ◆ Assist in the implementation of Oracle financial systems.
- ◆ Process improvement and development.

The successful candidate will be a qualified accountant who has either a strong track record in a group function of a major multi-national, or is currently in public practice and has gained 18 months-3 years post qualification experience.

Individuals with knowledge of financial services will be of particular interest, but most importantly you must possess strong technical skills coupled with a common sense innovative approach to financial control issues.

Interested candidates should write, enclosing a full CV with current salary and daytime telephone number to Dan Chavasse or Laurence Pengelly at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA e-mail: danchavasse@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA



News International plc

Financial Reporting Manager

Peterborough

Package to £38,000

News International PLC is a £1 billion subsidiary of the worldwide media conglomerate, The News Corporation Ltd. TNCL. The business operates at the leading edge of communication and information provision, and publishes national newspapers including The Times, The Sun, The Sunday Times and the News of the World. Other media/communication and hi-tech interests include Internet access providers, radio broadcasters and television and video distribution companies.

A substantial part of the company's financial operations is based in Peterborough, including the financial reporting department, which reports on 20 trading companies and continues to take on ever increasing responsibility. An ambitious candidate is required to manage the team. The role offers genuine responsibility in the following key areas:

- ◆ Management of the reporting and analysis for 20 trading companies.
- ◆ Responsible for the co-ordination of the audit process.

- ◆ Overview of monthly balance sheet and quarterly reporting for the division.
- ◆ Overview of tax analysis for submission to the group tax department.
- ◆ Ongoing supervision and development of 13 staff, including two qualified accountants.

The successful candidate will be technically strong with a broad base of post qualification experience gained either in industry or the profession. Candidates should display well developed management skills, with an ability to perform to strict deadlines. Strong communication skills are an absolute pre-requisite, as is a high level of self motivation and drive. As part of a multinational business, career prospects are outstanding both in the UK and overseas.

Interested candidates should contact Cristina de la Paz ACA, at Michael Page Finance, 4-8 Regent Street, Nottingham NG1 5BQ, tel 0115 948 3480, fax 0115 941 0125. Ref 383076. e-mail: rpf.nottingham@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Senior Financial Analyst

Central London

c £40,000 + Car + Bens

A market leader in its own right, and now part of the world's leading marketer and provider of consumer and business services whose market capitalisation is in excess of \$30 billion, our client is well positioned to take full advantage of future growth opportunities.

As a result of the recent re-organisation of the business, a new opportunity has arisen for a high calibre Financial Analyst to play an integral role in supporting the senior management team in the design and delivery of quality information.

Reporting to and assisting the Finance Director, key responsibilities include:

- ◆ Evaluating and developing forecasting methodologies.
- ◆ Financial modelling to include budgets and forecasts.
- ◆ Analysis and statistics of key data for presentation to the board.

- ◆ Production of commentaries for presentation to the regional managers.
- ◆ Ad-hoc projects including financial control and assistance in other Head Office issues.
- ◆ Interface between the IT department and end users to enhance the effectiveness of financial systems.

The ideal candidate will be a graduate, qualified accountant with a minimum of circa 1-2 years PQE, gained in a large commercial environment, preferably from a multi-site retail background. A proactive hands-on approach, coupled with excellent communication skills and the ability to work in a small team, will be essential in addition to your highly developed IT/spreadsheets skills.

Interested candidates should write, enclosing full curriculum vitae to Jazz Dhandha at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, or alternatively fax 0171 242 1020, quoting reference 394800. e-mail: jazzdhandha@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Group Financial Controller

Berkshire

c £40,000 + Car Allowance + Bonus

Our client is a worldwide trading group of companies with offices in the UK, Cape Town, Singapore and Moscow. From a start up situation in 1994, the Group has achieved an annual turnover of approximately \$70 million. To move forward, the Group is currently restructuring to concentrate on core businesses that will be controlled from its Berkshire headquarters.

In line with the new strategy, an opportunity has arisen for a Group Financial Controller. Reporting to the Finance Director and supported by a small team, this challenging position will be critical in maintaining financial control of the Group.

Key responsibilities will include:

- ◆ Preparation of monthly management accounts, budgets, business plans and cash flows for all trading divisions.
- ◆ Tax and corporate planning for UK and overseas operations.
- ◆ The development and enhancement of computerised financial systems.
- ◆ Assisting the Finance Director on strategy and potential investment opportunities.

The successful candidate will be a graduate calibre qualified accountant, probably with 2-4 years post qualification experience. Candidates who have had exposure to an owner managed environment in a trading or consumer goods company would be of particular interest. In addition, a high degree of computer literacy will be required.

It will be essential that candidates have well developed interpersonal skills, along with the ability to communicate with, and influence others, at all levels in the Group. An enthusiastic and proactive nature will be necessary to add value to this dynamic and ambitious business.

Interested candidates should forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number to Wayne Mason ACCA, Michael Page Finance, 33 Blagrove Street, Reading, Berkshire RG1 1PW, fax 01189 9561657, quoting reference 418441, or e-mail: waynemason@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Finance Director: Designate

Bristol

Package £40,000+

Our client is an operating subsidiary of a French company, who in turn is wholly owned by a leading Swedish manufacturing group. Formed in 1963, the Company now has a turnover of £9 million. The business continues to experience strong growth and its success stems from an ethos of quality and customer care, coupled with the continuing technological development of its product range. The company has a number of blue-chip customers, notably within the aerospace sector and exports over 50% of its turnover.

An opportunity has now arisen for a high calibre individual to join the management team, with progression to Finance Director within the next 12 months.

Reporting initially to the Financial Director and ultimately to the Managing Director, you will become responsible for the full financial control of the business which will encompass the day-to-day running of all aspects of the finance function. You will be accountable for the monthly reporting process to

France, budgeting and forecasting analysis, production costing and profit planning.

A professionally qualified accountant, you will have at least three years post qualification experience which will preferably have been gained within the manufacturing sector. You will be commercially orientated and operational in nature with the capacity to think strategically. Proven system skills are particularly desirable due to a forthcoming SAP implementation programme. Travel to France will be a necessary requirement of the role, particularly within the first six months of appointment. A working knowledge of French is also highly desirable.

Interested candidates should apply in writing enclosing a CV and covering letter, with daytime telephone number and current package details to Kathryn Roberts at Michael Page Finance, 29 St Augustines Parade, Bristol BS1 4UI, fax 0117 926 4223 quoting reference NGUY. e-mail: kathynroberts@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

0171 269 2259

Financial Controllers

Bristol

Following its stock market flotation in 1996, Somerfield has achieved strong profit growth and continued to develop its position as one of the leading neighbourhood food retailers in the UK. Its recent merger with Kwik Save will allow Somerfield to consolidate this position and open up a new and exciting phase in Somerfield's development. With sales in excess of £8 billion and over 1400 stores, the merged company will be seeking to realise operating synergies which offer significant commercial benefits and cost savings. The role of finance in achieving these benefits will be critical, ranging from quantifying the synergies and monitoring their delivery through to the commercial financial analysis required to facilitate trading and investment decisions. The positions below are core to the successful realisation of merger benefits and the smooth integration of the two businesses.

Systems and Supply Chain Controller

up to £45,000 + Car + Benefits

Reporting to the Associate Director Finance and directly supporting the main board Supply Chain Director, you will be responsible for financial support for the development and delivery of a supply chain and IT strategy. Working closely with the systems and supply chain functions, you will undertake detailed cost benefit analysis of key projects and produce financial evaluations on associated trading initiatives. You will also advise on period results, budgets and forecasts and prepare capital expenditure proposals.

The ideal candidate will be professionally qualified with 3-5 years post qualification experience, preferably gained in a senior capacity in supply chain activities within a retail, FMCG or a distribution environment. Strong interpersonal and communication skills, a commercial focus and a results driven approach are essential qualities, coupled with an ability to network across the organisation identifying with operational issues alongside financial control and evaluation issues.

In return, excellent benefits and future promotion opportunities are available for talented individuals. Interested candidates should send their curriculum vitae and covering letter with full salary and package details and daytime telephone number to Kathryn Roberts, Michael Page Finance, 29 St. Augustine's Parade, Bristol BS1 4UL quoting reference NGA7, fax 0117 926 4223 e-mail: kathynroberts@michaelpage.com

Michael Page

FINANCE

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Property Controller

up to £38,000 + Car + Benefits

Reporting to the Group Financial Planning and Analysis Executive, you will be responsible for the analysis of capital investment decisions in excess of £200 million per annum. Responsible for a team of six accountants and working closely with marketing, property and operations functions, you will be required to develop group capital investment criteria and evaluate the success of capital programmes. Of particular importance will be the need to analyse the rebranding of selected Kwik Save stores to Somerfield, ranging from evaluating the impact of pilot trials through to incorporating the results of this analysis into a conversion programme which meets group investment criteria. You will also be accountable for the analysis of new store programmes, the selection of stores for disposal and post investment reviews and recommendations.

Applicants will need to be professionally qualified with at least three years post qualification experience, preferably gained within a retail or FMCG environment. You must have excellent interpersonal, communication and influencing skills as the role requires significant main board and non finance interaction. You should have proven commercial skills to enable you to add value to complex rebranding investment decisions. This is a demanding role which requires powerful intellect, strategic thinking, an energetic approach and the ability to deliver.

Finance Director

For one of the main international groups of the pharmaceutical industry
(turnover of several billion sterling)

Paris area

Reporting to the Divisional Managing Director and as a member of the executive committee, you will play a key role at different levels.

International level:

- To assist in the development and execution of international strategic plans, ensuring full financial, legal and fiscal compliance.
- To lead the centralisation and consolidation of financial data from various foreign subsidiaries.
- To implement reporting throughout the group according to anglo-saxon techniques and to ensure the follow up of different subsidiaries.
- To contribute directly to M&A activities.

National level:

- To supervise finance, accounting, planning and analysis, legal and tax areas.
- To conduct the reorganisation of the finance teams (around 100 staff).

Excellent Package

- To implement and coordinate the strategies defined at group level.

Aged 40-45 and a graduate from a business school or equivalent, you have acquired 15-20 years professional experience. Ideally, you started your career within the 'Big 6' and are currently demonstrating success in international financial management at senior level.

It is essential that candidates are well versed in international and anglo-saxon accounting requirements and are fluent in French. This is a challenging and demanding role which will bring a significant contribution at a strategic level to the performance and profitability of the group.

Please send your application form, including CV and photo, quoting reference AD21603, to: Arnaud Destailleur at Michael Page International, 159 av. A. Peretti, 92522 Neuilly-sur-Seine cedex, Paris, France. <http://www.mpf.fr>

Michael Page

INTERNATIONAL

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Finance Manager

£ Attractive +
benefits
Manchester

NORWEB Communications is a fast growing regional telecommunications company. As we're changing the face of telecommunications in the North West we have exciting times ahead.

We have been highly successful in penetrating the business telecommunications market through the provision of high quality services, based on the latest in fibre optic and digital switching technology. We are revolutionising the industry with the development of digital PowerLine technology and have ambitious plans to increase revenues significantly within the next few years, through continued development of local business markets and expansion into new market areas.

As a consequence, we are growing our existing Finance Team to help meet this challenge: you will be involved in producing business plans, related budgets, project, investment and other financial management information to facilitate risk analysis and financial forecasting.

Your broad experience of the telecommunications industry will combine with a willingness to challenge the norm and to support the management team in the challenges ahead. The role requires people-management, financial and management accounting experience combined with a pro-active approach to process improvement. A good degree, a UK accountancy qualification and at least 2 years post qualification experience are also essential, as is a knowledge of SAP (Release 2).

Further details and an application form may be obtained by telephoning 0161 875 7383 quoting reference X/ET/98/13.

Completed applications should be returned by 8 May 1998.

Equal consideration will be given to all applicants irrespective of age, sex, race, creed or disability.



NORWEB
communications
a United Utilities company

Kellogg's

North West England

Excellent Package inc Relocation

Headquartered globally in Michigan USA, The Kellogg Company is a world class manufacturer of food products which continues to demonstrate strong market leadership through existing powerful brands and innovative product development. With its 91 year history, the Company dominates the global market, serving customers and consumers in 160 countries and generating revenues of approximately US\$ 7 billion.

EUROPEAN FINANCIAL PLANNING MANAGER (Ref. K02)

High profile role with significant contact with Area President and Regional CFO, providing the primary financial contact in the HQ for the region, in respect of planning and forecasting issues.

- Reporting to Head of Regional Planning.
- Managing a team of European Financial Analysts.
- Co-ordinating, developing and managing regional budgeting, reporting and planning processes to meet deadlines, involving close liaison with global HQ.
- Manage processes to ensure accurate consolidation and analysis of regional financial information, to provide key decision support.
- Manage corporate accounting policies and prepare regular profit forecasts.
- Provide ad-hoc project support to the Business Development Group and Area President and participate in multi-functional teams.

Applications are invited from qualified accounting, finance and consulting professionals (ACA, CIMA, ACCA, MBA) who can demonstrate a track record of relevant experience in budgeting, strategic planning, cost accounting and supply chain processes within a manufacturing and distribution environment. Between 5 and 10 years' work experience (in total) is considered most relevant, as is up-to-date knowledge of computer systems. Excellent communication and management skills are required, with European languages being helpful.

These positions provide an opportunity to join a leading multinational company and work in a location offering a high standard of living. International career opportunities exist for people with outstanding talent. Salary packages are pitched to attract the best people and include high basic, relocation, company car, non-contributory pension scheme, etc., etc.

Please apply in writing to Kevin Wright, LB Consulting, 4th Floor, Lisen Hall, 162-168 Regent Street, London, W1R 5TB, quoting relevant reference.

FINANCE MANAGER - EUROPEAN SUPPLY CHAIN GROUP (Ref. K03)

Important role co-ordinating and performing strategic and operational financial planning and analysis to provide support for Supply Chain operations and the Kellogg European Supply Chain Initiative.

- Reporting to Head of European Supply Chain Finance.
- Managing a team of Planners and Analysts.
- Co-ordinate and manage the development of budgets and estimates for the European Supply Chain, involving close liaison with the European offices.
- Co-ordinate consistency in inter-company transfer prices in connection with budgets and estimates.
- Responsibility for cost of production and cost of sales reporting and analysis across Europe.
- Provide pro-active financial decision support and advice to the Supply Chain Group on initiatives across the strategic and operational processes.

Divisional Financial Controller

c.£42,500 + Car + Bonus & Benefits

Yorkshire

Excellent opportunity for ambitious, commercially astute accountant to head finance function for division of major manufacturing Plc.

THE COMPANY

- Market-leading UK Plc. Blue-chip customer base. Outstanding record of growth and achievement in competitive field.
- Established Group structure with sound systems and financial management.
- £60m v/o multistate division with dynamic management and strong business focus.

THE POSITION

- Report to Managing Director. Head up accounting function.
- Contribute to business strategy. Ensure group reporting requirements are met.

- Monitor and develop staff to ensure business and group standards are met and maintained.

QUALIFICATIONS

- Qualified Accountant with significant experience gained in large, multistate manufacturing group.
- Sound commercial appreciation. Strategic overview with proactive, hands-on approach.
- Excellent interpersonal skills. Good relationship builder at all levels. Committed to monitoring and developing team.

Please send full cv, stating salary, ref LD80404, to NBS, PO Box 136, Leeds LS1 5LX
Fax 0541 500 001 Email nbsresponse@nb-selection.co.uk Tel 0113 245 3830

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Yorkshire

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Financial Controllers

Based France or Germany

to £45,000 + Car + Executive Benefits

Our client is unquestionably the market leader and pioneer in its sector. With an annual turnover of around £500m and rising, the company is dynamic and fast moving and its growth is a reflection of an uncompromising commitment to quality, service and partnership. By pursuing a policy of constant innovation, it also responds impressively to changing consumer tastes and needs.

The Roles

These two key appointments are part of our client's growth blueprint for France and Germany. Working with the Country General Manager, with functional responsibility to the European Financial Controller, you will:

- Develop country strategy and key business initiatives to meet stretching goals.
- Pursue acquisitions and explore new market and product opportunities.
- Focus on partnership creation for business growth.
- Create financial management and control systems and establish KPI's to enhance performance.
- Establish corporate policies and practices in newly acquired businesses.
- Direct the development of Finance, IT and other Corporate Services.

The Person

Fluent in French or German, you will be a rising star and, as a lateral thinker with high energy, you will inspire others to achieve demanding goals.

- With an FMCG background, your mentality will be European in the way you think, behave and get things done.
- Technically outstanding and with experience of acquiring and setting up new businesses, you will thrive on change.
- An articulate communicator, you must be able to shoulder heavy responsibility and handle significant pressure.

If you want to fast track and satisfy your ambition for increased responsibility and reward, send your CV quoting a daytime telephone number and reference F7/2288 (for France) or F7/2289 (for Germany) to our retained consultant, Austin Carter, using the details below.

Macdonald
SEARCH AND SELECTION CONSULTANTS

Rodney House, Castle Gate, Nottingham NG1 7AW, England.
Tel: (00 44) 115 924 1450 Fax: (00 44) 115 985 9074 Email: janeg@macdonald.co.uk

Young International Trouble Shooter

Highly Motivated Accountant to Make Impact Across Several Continents

Global Media Group

Amsterdam/Worldwide

c£45,000 + Bonuses

This dynamic media Group, turnover several hundred million dollars, operates four International Divisions worldwide covering 35 separate countries. It has made several acquisitions in the last 12 months in the US, UK and the Far East whilst still expanding organically. It has now been decided to strengthen the International trouble-shooting team, reflecting the growing complex demands of the Group. This ambitious young accountant will report to the Group Controller with global responsibility and extensive worldwide travel.

The Role

- Report to Group Financial Controller, based in Amsterdam. Mobile position supporting global finance team. Extensive travel required.
- Provide support at local level in a number of key areas including:
 - Heavy focus on adhoc projects and trouble-shooting assignments.
 - Significant involvement in the improvement of processes and procedures including systems development.
 - Provide "best practice" advice to local management. Responsible for training of local staff.
 - Acting as interim finance manager where required. Exposure to year end reporting, budgets etc.

The Candidate

- Graduate Qualified Accountant. Aged late 20's/early 30's. Proven track record within pressurised International Group driving through change and tightening controls.
- Outstanding systems, communication and presentation skills. Ability to command respect across Group.
- Self-motivated, enthusiastic approach, pro-active style with commercial flair. Thrive in challenging and demanding environment. Computer literate. Sun accounts exposure desirable, technically excellent. English speaking, second language an advantage.

Please apply in writing, enclosing full CV, quoting reference number LBA/225.

LAWRENCE BARNETT

Metropolitan House, City Park Business Village, 20 Brixley Road, Manchester, England, M16 8HQ.
Tel: 0161-877 4439 Fax: 0161-877 6708



How much accountancy experience do you need to become a management consultant?

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Many capable, ambitious accountants see management consultancy as an attractive career option. But it's one they picture themselves exercising at some unspecified distant date in the future.

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now, even if your professional career is still in its earliest stages and you qualified as an ACA or CIMA between one and four years ago. And the means of making it is to join Price Waterhouse. Our transition training programme

builds on the knowledge and experience you've already gained (specifically in value- and activity-based management, financial process re-engineering, systems implementation or change management), and gives you the additional skills that will be critical to your success as you work to shape and re-shape big, sophisticated enterprises.

The opportunity to work with many organisations instead of just one; to achieve more in a few months than many people achieve in years; to develop ideas with bright, sparky colleagues from different disciplines – you'll find all this at Price Waterhouse. But you'll also find an organisation that works exclusively for the top-tier multinationals, whose global capability isn't just a list of offices but a fully integrated network and whose learning

culture makes the business of building your professional capital a career-long commitment.

The tailor-made benefits package, the unique quality of both clients and colleagues, your future with the leading edge professional services organisation – the closer you look, the better it gets.

If you can say the same for your own CV, send it to Christopher Cole or Julian Sykes our retained Consultants at Finance Professionals, 25-28 Bedford Row, London WC1R 4ME. Tel: 0171 808 7070. Fax: 0171 828 2381. Email: chris@finprof.co.uk Evening/weekends: tel: 0181 8928517.

Please quote reference MCS/9015 on your application.

Price Waterhouse



STRATEGIC

Central London

Travel Related Services

Excellent Packages

American Express Travel Related Services forms the major part of this US based blue-chip multi national which is recognised as the world's most prestigious brand within its market. The UK is a focal point for International and European operations.

Continued growth within the business has created the need for two individuals capable of making an effective contribution in an environment where service delivery excellence is the expected norm.

The Roles

These high profile roles are project based and offer exposure to the highest levels of senior management.

- Provide planning, operational and strategic business analysis to the International and European Business Units
- Undertake competitor benchmarking of key processes and recommend improvements where necessary
- Support negotiations and implementation of business alliances and partnerships
- Provide high quality business consultancy support to senior management

The Candidates

- High calibre qualified accountants and/or MBAs with a minimum of two years commercial experience gained within either a large blue-chip organisation or a consultancy environment
- Knowledge and extensive practical experience of computer based management information systems and the manipulation and analysis of data is essential
- Excellent presentation and interpersonal skills are pre-requisites alongside the ability to work effectively with non-finance managers in Marketing and Operations
- Proven leadership, project management, decision making and time management skills are required

These roles provide an excellent platform for career advancement within this global business.

To apply, please write with a full CV, details of your current salary and quoting ref: 978/FT to Steven Vass ACA at BEH Nevard Roland, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN. Telephone: 0171 636 2288 or email: wizard@nevard-roland.co.uk

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LIVER 0115 218 8000

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WARWICK 01203 527018

LONDON 0171 486 2288

European Finance Director

£20k plus £40k bonus + share option, based South Cheshire

With established businesses in both the UK and Germany, Dextra represents the Caudwell Group's accessory value-added distribution arm. Rapid increases in turnover during the last two years to almost £40m in 1997, places Dextra in excellent shape to continue its expansion both in current operations and new European start-ups.

The Caudwell Group is a very rapid growth environment now comprising 13 companies in six countries, involving all aspects of the mobile phone industry. The annual turnover has increased from £13m in 1991 to £260m in 1997 with a forecast well in excess of £2 billion by 2007.

The Role

Reporting to the European MD with a dotted line to the Group FD, the successful candidate will be responsible to the Group board for continued profitable expansion of the Dextra companies. This will involve full P&L responsibility for existing business and the identification and development of new opportunities. By definition this will require international travel.

The Candidate

- Will be a qualified accountant.
- Must have a track record at senior level of P&L responsibility.
- Must be capable of demonstrating a hands-on approach, prepared to pay attention to detail as well as seeing the bigger picture.
- Will have unbridled ambition.

This is a unique opportunity to join an ambitious, rapidly expanding Group of companies.

Applications please to: Malcolm Gregory, Group Human Resources Controller, The Caudwell Group, Minton Hollins Building, Shelton Old Road, Stoke on Trent, Staffs, ST4 7RY.

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European Finance Manager

With more than 50,000 systems installed and a global market share of over 50%, PictureTel are the undisputed market leader in the provision of video conferencing solutions - the industry they pioneered. One of the world's leading edge companies with offices and Partners worldwide including Europe, Middle East, India and Africa, their annual revenues are approaching \$500m.

Their unique range of products are backed by a commitment to service and support which is fundamental to their success. To sustain future growth in a rapidly changing environment, efficient, effective financial control is crucial. They now seek an experienced finance professional with the personal and technical skills to rise to the challenge.

Managing a professional team you will be responsible for the European accounting function. Key responsibilities will include:

- ▶ Monthly reporting and performance review.
- ▶ Management of outsourced financial services across Europe.
- ▶ Co-ordination of European statutory returns and reporting.
- ▶ Development and maintenance of financial controls.
- ▶ Development of management information.
- ▶ Cash management.
- ▶ Continuous improvement of financial systems to provide productivity efficiencies.

The successful candidate will be a high calibre qualified accountant with at least 2 years PQE. Experience of 'hands on' financial accounting and computer literacy are a prerequisite. Able to effectively interact with all levels of management and appreciate differing European cultures are essential. European language skills, particularly German, would be highly desirable as well as US GAAP reporting.

Interested candidates should send their CV to Frances McCutcheon or Joanna Wilson at Goswell House, 134 Peasod Street, Windsor, Berkshire SL4 1DS, quoting reference 56350. Alternatively, please fax your details on 01753 850253 or e-mail us on info@mwa.co.uk or telephone on 01753 830881. Website: <http://www.picturetel.com>

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Financial Times

GROUP ACCOUNTING

M3 Corridor

Our client is a £3 billion+ Group with operations throughout Europe and in the USA, manufacturing and distributing a range of premium products. The Group's decentralised structure demands strong financial controls exercised through a high-calibre headquarters team. The new position of Consolidation Manager has now been created. Supported by two qualified assistants he/she will make a key contribution to the production of the Group's plan, budget, forecast, management and statutory consolidated financial statements. The experience and high-level exposure associated with this position will provide a valuable platform for career development within the Group.

c. £40,000 + car + m/c pension

Applicants must have a recognised UK accounting qualification and have had exposure to the organisational complexity and demanding technical standards of a large group. This could have been gained directly or through their experience in the profession. Age is not critical but future opportunities would be most appropriate for those who have qualified within the last 3-5 years. A good working knowledge of French would be a distinct advantage.

Please write with full CV, including current salary and daytime telephone number, quoting reference 1789/FT, to Dick Phillips ACIS, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Tel: 0171-493 0156 (24 hours).

Phillips & Carpenter
Search and Selection

London Docklands

RISK MANAGEMENT

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AN OUTSTANDING OPPORTUNITY IN THE SECURITIES INDUSTRY

WHO ARE WE?

A rapidly growing and prestigious subsidiary of a leading Wall Street Investment Bank with an enviable record of achievement based upon unrivalled customer service. The organisation is the pre-eminent supplier of brokerage and investment management services to institutional and private client stockbrokers; undertakes nearly 14% of the transactions on the London Stock Exchange; and provides PEP administration, nominee, stock lending, and discount brokerage facilities.

WHAT IS THE ROLE?

A key member of a specialist team dedicated to using the latest techniques, including Control and Risk Self Assessment, to manage risk and further enhance the control environment. Emphasis is placed on securing a competitive advantage by introducing the latest technology and re-engineering the business processes to improve settlement speed and customer service, and to minimise unit processing costs. The successful candidate will have the potential to achieve line managerial status within eighteen months.

WHO ARE YOU LIKELY TO BE?

A qualified ACA (or equivalent professional qualification), probably with a financial services background. You are looking for significant career advancement and are able to demonstrate good academic and professional development to date. Your desire to work in a dynamic part of the financial services sector is combined with an ability to understand a complex business and computer environment and the determination to challenge the conventional wisdom. Knowledge of the securities industry would be an advantage but, above all, you will be bright, enthusiastic, a good communicator and a highly motivated achiever.

NEXT STEPS?

If you believe you can contribute to the profitable and controlled growth of our business, please write and explain how you meet our requirements and enclose a CV that highlights your relevant achievements. Applications should be addressed to Box No A6132 c/o the Financial Times, 1, Southwark Bridge, London SE1 9HL and should be received by 22 May.

0171 493 0156

COMMERCIAL ANALYST

£50,000 + Car + Benefits

Our client is a rapidly expanding healthcare business operating on a European basis. With revenues in excess of £4.5 billion, its unparalleled commitment to customer service and innovative healthcare programmes is key to its future growth and development.

Due to expansion, a key business oriented finance role has been identified with regional responsibility for the UK, France and Italy. As an integral member of the management team, you will report into the Group Financial Controller and work closely with the divisional management teams.

Specific duties will include:

- Responsibility for evaluating the budgets and plans produced by business units and assessing their validity and achievability.

For further information about this excellent opportunity please contact quoting ref: FT0160, on 0171 209 1000. Alternatively, send/fax your CV to FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DZ. E-mail: jc@fss.co.uk or visit our website at www.fss.co.uk



QATAR GENERAL PETROLEUM CORPORATION

Qatar General Petroleum Corporation (QGPC), urgently require the below mentioned for immediate start.

Controller Finance

The ideal candidate will possess strong financial control, analytical and interpersonal skills. At least 12 years experience within an Accounting and Financial environment, preferably within an Oil & Gas Industrial organisation. Must hold a recognised Professional Accounting Degree (i.e. ACA, ACCA, CIMA, CPA or equivalent).

Employment Package: The rewards like the challenges are substantial. The position offers a tax free salary, indefinite term contract, married status, free medical and dental care, housing, generous annual leave (with paid airfare) and transport allowance.

Please send recent CV, copies of testimonials, photograph and copy of your passport to our representatives at the following address:

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Tel: (01224) 212929 Fax: (01224) 573845
e-mail: lindear@larecruitment.co.uk

For more information about QGPC and Qatar, please visit our website @ <http://www.qgpc.com.qa>



Calderwood Han CHIEF FINANCIAL OFFICER (Extractives Industry)

KAZAKHSTAN BASED

SUBSTANTIAL PACKAGE

Our client is a multi-billion dollar international group with worldwide interests in metals and minerals. It has recently established a joint venture operation in Kazakhstan, to re-develop and manage three large mining and smelting combines consisting of seven underground mines, predominantly zinc, three smelters, four concentrators, two precious metal refineries and power plants. The total workforce currently numbers several thousand employees.

The success of the operation will depend, inter alia, upon two fundamental criteria: implementing strategic plans to improve the performance of the mines, and the effectiveness of the joint relationships established between the Partner and State regulatory bodies.

The incumbent will have ultimate responsibility for the financial management of the joint venture in such a way as to maximise profitability, while maintaining a close liaison with its senior executives and acting as their financial counsel. The remit is wide in scope, ranging from an initial 'westernising/streamlining' of key accounting systems, procedures and disciplines, to pursuing relevant stock market and trading information and anticipating/identifying the impact of various fiscal issues and measures on the commercial aspects of the total business.

Candidates must demonstrate considerable authority and personal maturity, supported by strategic vision, practical application and sound commercial acumen. An appropriate professional qualification and at least ten years' financial management success in industry - ideally mining/metallurgical related - are sought. Russian business experience and a good understanding of the language are very important and fluency in English is essential.

[A Chief Project Accountant is also required for a major mine expansion programme currently in progress within the joint venture].

Please write or, preferably, fax in complete confidence, enclosing a suitably detailed curriculum vitae to:

Grham R W Walker
CALDERWOOD HAN LIMITED
29 Holywell Row, London, EC2A 4JB, UK
Telephone: (44) 171 377 5528, Fax: (44) 171 377 5590



News International plc

Commercial Accountant News Group Newspapers

£Excellent London

News International, publishers of the UK's four most successful newspapers, The Times, The Sunday Times, The Sun and The News of the World, are looking for an exceptional individual for the role of Commercial Accountant for the tabloid titles.

This is a key role working with senior management and helping to shape the development strategy of the company. Reporting directly to the Controller of Planning and Analysis and to the General Manager of NGN, the candidate will be expected to provide financial support to the General Manager and to act as the main link between the board, senior operational management and central finance.

The role involves:

- management of weekly performance analysis
- forecasting and budgeting
- formulating a general financial overview
- presenting results to senior operational and financial management
- project based work
- managing and liaising with operational accountants

You will have:

- a strong academic background
- around 3-5 years post qualification experience
- analytical and planning experience gained in either the Newspaper Industry or a similar, fast moving sector
- excellent communication and interpersonal skills
- good team management skills

The rewards on offer include an excellent remuneration package and the chance to develop your career in a highly rewarding and dynamic environment.

Interested applicants should write, in the strictest confidence to our retained consultants Nick Brown ACA or Justin Dürmer at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference NB 4437. All direct responses will be forwarded to Walker Hamill. Closing date for applications is Friday May 8th.

WALKER HAMILL

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LONDON SW1A 2EP

Tel: 0171 839 4444
Fax: 0171 839 5857

FINANCE PROFESSIONALS

Hertfordshire

Competitive Packages + Relocation Assistance

Our client, a FTSE 100 group with turnover in excess of £10 billion, is a world leader in electronic communications, electrical and mechanical engineering.

The group's strategy is based upon building global leadership positions through increased investment in product development and acquisitions in chosen business areas. They are in the process of launching a culture change programme based on customer focus and growth.

Within their engineering business sector based in Hertfordshire, due to continued rapid expansion, the need has arisen to recruit three qualified finance professionals.

Role 1

- Provision of non-financial performance indicators to facilitate the measurement of project effectiveness;
- Provision of strategic financial input into new projects determining their implications and impact on future markets;
- Advising Project Directors with regard to the status of ongoing projects, with particular emphasis to cost opportunities

and threats, whilst proactively assisting in their management;

- Post completion review of concluded projects to highlight success and failure criteria;
- Foreign currency risk management and forecasting.

Role 2

- Playing a key role in a team responsible for implementing the company standard accounting and purchasing systems whilst monitoring and refining accounting processes and procedures that could result;
- Co-ordination of monthly cash forecasts and other periodic cash reports;
- Provision of advice regarding PAYE, Corporation Tax and overseas taxes;
- Developing and managing service level agreements and procedures for the outsourcing of financial accounting transaction processes where effective to do so;
- Striving to deliver the optimum transaction processes through continued study and development of existing teams;
- Management and development of subordinate staff.

Role 3

- Extracting and production of all information necessary to ensure compliance with Ministry of Defence long-term contract financing regulations through complex reporting models;
- Liaising with Ministry of Defence accounting service personnel, so as to build and maintain relationships, ensuring prompt and favourable agreements;
- Co-ordinating the production of cost certificates and other cost statements required to be produced under Ministry of Defence accounting conventions;
- Continually monitoring direct and indirect overhead recovery rates to ensure the required adjustments are made within realistic time scales.

Candidates for all three roles will possess the following qualities:

- A minimum of three years' accounting experience;
- A proven track record of achievement;
- Excellent analytical, influencing and communication skills, both within finance and across other functions;

- Adaptive, confident, assertive nature;
- A high level of computer literacy;
- Ability to command respect in an organisation continually striving for service improvements and being willing to take on responsibility.

It must be stressed that Ministry of Defence accounting experience is not a pre-requisite as full training will be provided.

Interested applicants should submit their curriculum vitae to Richard Baker ACMA or Paul Kotchara at Harrison Willis, 47 London Road, St Albans, Herts AL1 1JU, telephone 01727 840660, Fax: 01727 840662. E-mail: st.albans@hwgroup.com Internet: www.hwgroup.com

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ASSISTANT TREASURER

International Leisure & Entertainments PLC

£55,000 + bonus + benefits

London

Our client is a major international entertainment and leisure group; turnover exceeds £2bn, approximately half generated outside the UK. Profitable and with a market-leading position in a number of high growth sectors, the Group is poised for further expansion, both organically and by acquisition. A new senior management team is committed to enhancing shareholder value - a process in which the centralised Group Treasury will play a full part.

The Position

- Report to Director of Treasury. Lead treasury planning to include developing group policies, improved reporting and budgeting and the structuring of financing initiatives.
- Manage group bank relationships and raising agencies; enhance cash forecasting and financial risk management.
- Significant liaison at group and divisional level to maintain treasury profile. Involvement in ad-hoc projects to include EMU and systems development.

Qualifications

- Bright, ambitious treasury professional. Graduate with accountancy and/or treasury qualifications.
- Minimum 3-5 years' experience in reputable, internationally-focused group function.
- Articulate, self-motivating and team-oriented. First rate analytical, interpersonal and IT skills.

Please write in confidence with a CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 3004. Tel: 0171 470 7212. Fax: 0171 470 7211.

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For the small but rapidly growing UK distribution subsidiary of an international group which is a world leader in intelligent electronic games and play peripherals for PC's and other games machines.

Responsibility is to the Managing Director for the financial management of the business, purchasing, stock management and the efficient fulfilment of customer orders. This involves management of a small team in a business where high service levels and tight financial control are of paramount importance.

A qualified accountant and probably aged up to 35, you will have experience in distribution businesses which has

given you a good practical understanding of supply chain processes. System strengths, team leadership ability and the capability of working in an international business culture are essential requirements. You will have every opportunity to demonstrate your broad business skills as an influential member of a small management team.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Irene Ramdahl, Coopers & Lybrand Executive Resourcing Ltd, Temple Court, 35 Bull Street, Birmingham B4 6JT, quoting reference D597 on both envelope and letter.

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IT Appointments

• Project Managers • Business Analysts • Consultants •

RISK MANAGEMENT - DERIVATIVES - TREASURY

A leading player in the banking and finance sector is seeking to recruit talented and ambitious individuals. Recent growth combined with new initiatives have led to the creation of a number of new opportunities within this organisation.

Working with areas such as Trading Systems, Risk Management, Middle Office, Settlements or Operations, you will have in-depth knowledge of the business together with a good understanding of the technology issues to support the business.

Currently working with a bank, consultancy firm or software house, you are involved with the analysis and definition of business requirements as well as the recommendation, implementation and delivery of appropriate solutions. These solutions could be in-house developed systems or packages such as Koinfort or Summit.

Exposure to technologies such as Client Server, Three-tier Architecture, Data Warehousing, or Object Oriented Analysis and Design would be useful.

Well qualified academically with good interpersonal skills, you will be able to communicate effectively at all levels. A high degree of professionalism and enthusiasm with a delivery orientated approach is essential.

These positions will be well rewarded and if you are able to meet these challenges and have the qualities and experience to realise these career opportunities, please send your CV to:

Alan Summers quoting reference FT0598 at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel: (0171) 481 1171. email - SHConsult@aol.com



Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector

PROJECT MANAGEMENT

INTEREST RATE PRODUCTS To £80,000 + Benefits

As one of the most prestigious investment banking groups with a truly global presence our client always strives for perfection. Their markets cover Corporate Banking, Advisory services, Fund Management, Equities and Fixed Income. They now seek Two Project Managers with a proven track record of delivery in the derivative markets (Swaps, Bond Options, Equity or Interest Rates). You will have a minimum first degree (2:1 or better) and be working for an investment bank or City software product supplier. Your experience will include: OO Development, WWW Technology, Package Implementation skills and Risk Management. First class interpersonal skills are essential.

CREDIT RISK SYSTEMS To £65,000 + Bonus

Our client is one of the leading Capital Markets and Derivatives institutions in London. Their reputation has been built on innovative financial development and the provision of quality research in Equities, Bonds and Fixed Income markets. They now require an experienced project manager to take control of the delivery of a new Credit Risk Management system. You will have 3-5 years proven project management experience delivering systems in Capital Markets, preferably risk management/derivatives. A graduate with a minimum degree you will be able to demonstrate client server development skills: ideally, NT, Cobol and Relational Database skills.

GLOBAL EQUITIES To £100,000 + Exec Pkge

As one of the truly global investment banks our client is embarking on the roll out of a Global Order Management system which will be an integral part of its trading strategy for the future. This is a high profile and mission critical position where the successful applicant will be able to demonstrate a first class academic record with a proven track record in the Equities market place. You will have 10 years experience of delivering major project developments on time and within budget for leading City institutions. You will have excellent interpersonal, motivational and team building skills as well as the ability to support the relationship with the business sponsors.

INTERNATIONAL LAW FIRM To £55,000 + Benefits

One of the most prestigious law firms in the City of London is looking for a true "Hybrid" project manager to take responsibility for the design, development and successful implementation of new IT systems. Reporting to the IT Director your skill sets will include: business analysis, management of out sourced development, project management and systems implementation skills. Experience of Lotus Notes, Visual Basic and Internet/Intranet development are essential. The role requires a high level of interpersonal and presentation skills, as the need to sell the ideas and solutions from a business rather than technical viewpoint are essential.

For further information on these and other positions please contact Rod Mackenzie or Lesa Carlyon at Zarak Group Technology on 0171-523 3720. Fax on 0171 523 3721 (01719 725683 evenings and weekends) or write to 37 Stm Street, London EC2M 2PY. E-mail: rod.mackenzie@zarakgroup.com



INVESTMENT BANKING

C++/C/MATHS To £60K + BONUS + BENS

Top European Bank seeks an experienced Quantitative Analyst. The ideal candidate will have a minimum of 2 years experience in a professional modelling environment. The role will incorporate price evaluation, hedging of derivative product parameters and implementing various risk and validation methodologies. You will have at least a 2.1 degree in mathematics, econometrics or an applied science from a recognised institution. Preference will be given to those with a postgraduate degree and programming skills in C++ on an NT/UNIX platform and knowledge of SYBASE or other RDBMS.

TEAM LEADER - FIXED INCOME ANALYTICS £70K - £100K PACKAGE

High calibre Financial Engineer sought by world leading US Investment Bank. Leading a team of 8, you will provide technical and business guidance in the delivery of pricing and analytic tools for the Fixed Income Group. Candidates must have strong C++/SYBASE skills, quantitative skills and a thorough understanding of the Fixed Income Market.

PROJECT MANAGERS/ BUSINESS ANALYSTS - EQUITIES £70K - £120K PACKAGE

Leading Derivatives player seeks high calibre systems professionals for the global delivery of an Equities trading system. Project Managers must have a minimum of five years experience and proven ability to deliver projects on time and within budget. Business Analysts must have a minimum of three years investment banking experience, including data modelling, design and leadership skills. A thorough understanding of the equities market is essential for both roles.

QUANTITATIVE/C++ £60K - £80K PACKAGE

Quantitative research group of top US Investment Bank seeks an analyst with strong modelling skills and solid C++ expertise. Primary responsibility is for the design, build and implementation of relative value models for the futures and options business. Candidates must be sharp minded with a strong academic background and be familiar with Monte Carlo simulations and yield curve models.

C++/EXOTICS £60K - £90K PACKAGE

Exotics group of this leading European Investment house seek an IT resource to assist in the development and implementation of exotics pricing tools. Candidates must be highly numerate with solid C++ skills and have some understanding of pricing and the exotics market. Exceptional candidates may be considered without exotics experience but must have some financial experience.

MATHS/C++/SAS To £50K + BONUS + BENS

Elite American research and development concern is currently expanding its UK operations and requires numerate Programmers and Researchers. Working primarily in the areas of Equity and Fixed Income, emphasis is placed upon solid SAS and/or C++ programming with a firm grasp of statistical regression analysis methods. You will have mathematically based education to degree level and an ability to produce programming and research work to an exacting standard. Previous financial knowledge is desirable, though not a prerequisite. This is an outstanding opportunity to join a team famous for their products and papers.



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BUSINESS ANALYST, PROJECT MANAGER, SYSTEMS TESTER OTC AND EQUITY DERIVATIVES

Our client is a leading global investment bank whose market activities include a strong presence in OTC and Equity Derivatives. A significant expansion plan and strong commitment have been applied to the development of state-of-the-art technology for these areas of business.

They require a Project Manager, Business Analyst and Systems Tester to work with the IT team developing and supporting solutions. Current projects include the development of a large scale OTC Derivatives settlement system which will support all OTC Interest Rate products such as Interest Rate and Currency Swaps, Caps, Floors, Forward Rate Agreements, Swaptions, Bond Options etc. Major functional components of the OTC settlement system will be accounting, payments and confirmation processing.

PROJECT MANAGER

Heading up a team of Business Analysts and Analyst Programmers, you will have overall responsibility for the production of deliverables. You will be educated to degree level, and have at least three years Project Management experience within the financial/banking environment with excellent structured analysis and design methods. Ideally you will have experience of settlements (payments, confirmations, accounting) together with an understanding of OTC Derivative products. A flexible person who is team oriented, strong verbal and written communication skills are a must. In terms of technology, the ideal candidate will have good working knowledge of Sybase, Unix and Windows NT.

BUSINESS ANALYST

As part of a small team of Business Analysts, you will work closely with Analyst Programmers on the analysis, design, build, test and delivery of the module. Educated to degree level, you will have at least two years experience of the financial/banking arena with good working knowledge of Sybase, Unix and Windows NT. It is essential that you are a flexible team player and possess excellent interpersonal skills as you will be working closely with other teams to ensure that their deliverable dovetails with the overall architecture.

SYSTEMS TESTER

The successful candidate will have at least two years experience within the investment banking/financial arena together with degree level education. You will be part of a team of testers working on various systems within the OTC and Equity Derivatives area. A good team player, it is essential that you are highly motivated with the ability to set targets, mobilise resources and plan and structure your approach to your work. Familiarity with Sybase, Unix and Windows NT would be an advantage, although the most important quality you will possess is an intelligent and inquisitive mind.

These are outstanding opportunities to join an organisation which is capitalising upon its position as market leader in the arena of OTC and Equity Derivatives. An excellent career structure is in place to ensure that ambitious individuals are able to fulfil their potential. If you have a proactive approach and can succeed in a challenging environment, please contact our consultants.

For further information contact
Fiona Phillips or Alex Blair
Huxley Associates,
17 St Helens Place,
London EC3A 6DE



Telephone: 0171 335 5890
Fax: 0171 335 0008
Email: Jobs@Huxley.co.uk

QUANTITATIVE DEVELOPERS QUANTITATIVE ANALYSTS

US INVESTMENT BANK EQUITY DERIVATIVES/FIXED INCOME DERIVATIVES RESEARCH/RISK CITY

Our client is one of the few truly global players in investment banking with a strong reputation for leadership in financial product development and technological innovation.

They are seeking to recruit a quantitative analyst and several quantitative developers to join their Quantitative Research Group. Highly innovative, the group is a stimulating mix of quantitative analysts, quantitative developers and sales/traders developing, enhancing and integrating trading strategies and risk models.

An excellent science/mathematics background is required and should include a 1st or 2.1 honours degree from a top-tier university preferably with a higher degree and a minimum of one

years' experience gained either in a bank or financial software house.

For both roles, hands-on computing experience is required and, for the developer role, C++, Visual C++, Visual Basic, OO, Excel, etc. Your enthusiasm, energy and drive will be a distinct advantage.

Remuneration packages are excellent and include a substantial bonus and banking benefits package.

In the strictest confidence, please send a full CV to Craig Miller or Shelley Ashton at Millar Associates, 6

Sloane Street, Knightsbridge, London, SW1X 9LE. Please quote reference no FT2904.

Tel: 0171 823 2222, Fax: 0171 823 2208. E-mail: millarassociates@sw1.telme.com



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● Previously Britain's largest building society the Halifax converted to plc status in 1997. With assets of over £130 billion, a customer base of over 20 million and almost 900 branches, it is one of Britain's leading banks.

● A major business sector of the Halifax Group, Halifax Treasury plans to expand its activities to create a full service bank treasury and capital markets division. This will involve relocating part of the business to London.

● A key player in the IT function will be the Systems Control Manager who will be responsible for establishing a professional quality controlled environment.

Activities will include devising and implementing standards and procedures, conducting risk analysis on systems, regulatory liaison and advising on information security.

● Graduate calibre, you will have at least ten years experience in an IT function of a wholesale/investment bank. Extensive experience of systems methodologies and control techniques will be combined with an understanding of systems risk/compliance modelling techniques and implementation of QA/QC disciplines within an IT function. Audit exposure and knowledge of products in areas such as money markets, foreign exchange and capital markets would be advantageous.

● You will be a self-starter, tenacious facilitator who is able to operate effectively in a new operation at both strategic and operational levels. You will have excellent communication, interpersonal and people management skills as well as a strong propensity to action.

● This is an excellent opportunity to set up a small high profile team and gain exposure to the business as a whole as well as to senior management across the bank.



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This is an exciting opportunity to join the group whose focus is the Risk Engine area of this major Risk Management and INFINTY trading system. The successful applicant must be self-starter and able to handle other sites as required.

Technical Skills: C++, JAVAX, INFINITY, high performance SYBASE, SQL, SCLC

As a key component in the delivery of the system, you should be capable of leading our client's development teams in their own right, ensuring that the system is delivered on time and within budget. You should have a proven track record in the delivery of complex systems and be able to manage a team of developers and testers. You should also have a strong understanding of the business and be able to communicate effectively with the business and the client.

You will be responsible for the design, development and testing of the system, ensuring that it meets the business requirements and is delivered on time and within budget. You will also be responsible for the training and support of the client's staff, ensuring that they are able to use the system effectively.



For detailed information call us on the numbers below quoting ref: FT/04/PAB/98
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